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THE SINGLE MANAGER CONCEPT: ITS DEVELOPMENT AND IMPLEMENTATION

ROBERT E. HURLEY

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THE SINGLE MANAGER CONCEPT: ITS DEVELOPMENT AND IMPLEMENTATION

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For

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FOREWORD

Unification of the Armed Forces is unequivocally interwoven with unified supply management. The Single Manager Concept is but one expression of that unification; it is a link in the whole chain of developments which surround the unification movement.

It is the purpose of this paper to set down in a general way something of the historical background which led to the Single Manager System, something of the principles that underlie it and the elements that make it up, and to place it in its proper perspective.

The opinions expressed herein are personal and are meant in no sense to reflect official opinion of any of the Services.

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TABLE OF CONTENTS

		Page
FOREWORD		ii
LIST OF ILLUSTRATIONS		iv
CHAPTER I	INTRODUCTION	1
CHAPTER II	HISTORICAL AND EVOLUTIONARY ASPECTS LEADING TO THE SINGLE MANAGER SYSTEM	3
	The World War I and World War II Periods Post World War II Developments Munitions Board Studies The "Bonner Bill" and the "O'Mahoney Amendment" The Military Supply System Regulations	
CHAPTER III	THE SIGNIFICANCE AND MEANING OF SOME MILITARY MANAGEMENT POLICIES AND METHODS	18
CHAPTER IV	THE SINGLE MANAGER PLAN IMPLEMENTED	24
	The Second Hoover Commission The Single Manager Plan Basic Principles Organization and Staffing Operating Procedures The Development of the Military Medical Supply Agency Variances Between Commodity Agencies The Single Manager Service Assignments Industrial Fund Accounting in the Single Manager Concept Summary	
CHAPTER V	OPPOSITION TO THE SINGLE MANAGER PLAN AND ALTERNATE TECHNIQUES FOR MATERIAL MANAGEMENT	54
	Problems and Objections Other Supply Management Techniques The Inventory Management Improvement Program The Interservice Supply Support Program Forms Improvement Summary	
CHAPTER VI	CONCLUSION AND A LOOK TO THE FUTURE	63
	Evaluation Significant Accomplishments The Future	
APPENDIX		71
BIBLIOGRAPHY		82

LIST OF ILLUSTRATIONS

Chart		Page
I	Medical Supply Distribution Patterns (Eastern States) . .	32
II	Single Manager Organization	33
III	Positioning of MMSA within the Department of the Navy . .	38
IV	MMSA Distribution System	40
V	Military Medical Supply Agency	42
VI	Typical Interservice Supply Support Action	61

CHAPTER I

INTRODUCTION

On 1 May 1956 Department of Defense Directive 5160.14 was promulgated. This regulation was closely followed on 3 May 1956 by Department of Defense Directive 5160.11. With these directives, Single Manager Service Assignment for Traffic Management within the United States and Single Manager Assignment for Subsistence, there came into being the Single Manager System for the management of common-use items and common services in the Department of Defense.

The Single Manager concept for supply operations is but another step in the continuing struggle between military and civilian elements of the United States Government for control of the military supply systems. It has been going on with varying degrees of emphasis almost from the days of the Revolutionary War. Currently, this conflict is centered around a proposed "fourth service", under civilian management, which would take over all non-technical supply and non-combat service activies of the Army, Navy, and Air Force. The Single Manager System is the Services' rebuttal to this proposal.

The term, Single Manager Concept, actually encompasses two frames of reference, the "Single Manager" and "supply management". A Single Manager is the Secretary of a military department designated by the Secretary of Defense to be responsible for the organization and operation of a particular Single Manager Assignment for specified

categories of common-use items or common service activities. Supply management is the exercise of direction and control of all phases of supply operations, including the functions of cataloging, standardization, net requirements determination, procurement, production, inspection, storage, distribution, disposal, transportation, maintenance, and mobilization planning.[1] It is in terms of these two frames of reference that the Single Manager System will be examined.

To place the concept in its proper perspective, attention will be focused on the historical influences directed toward the unification of the military supply systems by forces outside the services, together with approaches toward the same end which have been achieved through service-wide coordination and cooperation. Likewise, the efforts of the Department of Defense to carry out Congressional mandates will be considered. Those Single Manager assignments already functioning will be examined, and an effort will be made to point up some of their accomplishments and deficiencies. Finally, consideration will be given to the future outlook for the concept, its capabilities, its potential, and alternative systems which might bear scrutiny.

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[1]Department of Defense Directive 5160.12, Policies for Implementation of Single Manager Assignments (Washington: 31 Jan. 1956). pp 1-2

CHAPTER II

HISTORICAL AND EVOLUTIONARY ASPECTS LEADING TO THE SINGLE MANAGER SYSTEM

The World War I and World War II periods. - A complete review of the forces which have been important in the development of efforts on the part of the military to solve its supply and logistics management problems must find its inception at least during the period of World War I.

In World War I, competitive bidding, both within the U. S. Army and by the Army, Navy, and Allied Provisions Export Commission, had resulted in exorbitant prices and maldistribution of food for both the military services and the civilian population. This situation necessitated the creation of a Food Purchase Board for the purpose of coordinating purchases for all military subsistence.[1] However, after the war, with troops few in number and widely dispersed, the procurement of military subsistence items had little market impact. Accordingly, centralized direction and coordination of food procurement was abandoned.

During the periods between World Wars I and II, military matters, for all practical purposes, were of little importance relatively, and national attention, for the most part, was directed toward other problems, principally those of the great depression.

In the late 1930's, however, as the clouds of war began to darken on many horizons, concentration again began to be centered on

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[1]University of Washington, Bureau of Business Research, Subsistence Procurement for the Armed Forces (Washington: October 1952), p.25

issued all inclusive directives to the effect that Naval activities must participate.[4] However, as the market centers assumed increasingly greater increments of subsistence procurement for the Navy, Navy Market Offices were established at these centers and staffed with Supply Corps personnel.

During World War II, other areas of coordination of procurement were effected to varying degrees. Central procurement of lumber was expanded with the establishment of a Central Procurement Agency in the Army Engineers Corps in 1942. Procurement of fuel was accomplished on a joint basis. Informal cooperation between the Army and the Navy in the procurement of medical supplies, chemical warfare equipment, tractors, small arms, and small arms ammunition was also accomplished.[5]

Experience during World War II indicated a still greater need for some means of further coordinating military procurement. Feeling not only that further coordination of procurement in connection with large classes of similar material purchased by various Services and Bureaus was needed, but also, that there was a danger that the coordination which had been achieved might be lost after the war was over, the Secretary of the Navy, James Forrestal, and the Under Secretary of the Army, Robert F. Patterson directed a study of the subject by Captain Lewis L. Strauss, USNR and, Colonel William H. Draper, Jr. As a result of the Strauss-Draper Report the Army-Navy Medical Procurement Agency was established in 1945. The Army and Navy also located their procurement

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[4]University of Washington, Bureau of Business Research, op. cit., p.28

[5]Commission on Organization of the Executive Branch of the Government, Task Force on Procurement, op. cit., p.D-2

offices for textile and clothing items in a single building in New York City. By this arrangement it was hoped that the procuring officials of the two departments would keep each other advised of their respective actions, thereby achieving some of the advantages of unified procurement.

The Strauss-Draper studies might well be taken as the seed from which the Single Manager System was sown. It was certainly the first formally organized attempt to explore the possibilities of inter-service logistic organization, and with it, the era of informal practices ended and the era of integration began.

During the period covered by World Wars I and II a continuing and growing recognition had developed in the military services that advantages could be achieved by coordinated procurement of various items of supply. Nevertheless, it is singularly significant that at no time during this period was any serious consideration given to the coordination of other elements of the supply system---storage, distribution, inspection, etc. While it is true that War Department planners developed proposals for a single or common supply service during World War II, the performance of supply functions other than procurement remained the exclusive province of the individual services, and the Strauss-Draper studies merely commented: "We believe that closer coordination in these areas would be found entirely possible and highly desirable".

Post World War II Developments. - With the year 1946 there began a series of developments in the U. S. military logistic organization which were to culminate in 1954 and 1955 with the "Single Manager" plan for supply management practices, and the actual implementation of that plan in the Spring of 1956 by direction of the Secretary of Defense.

The U. S. Army in January 1946 announced its plan for "Merger". The Army plan defined "Merger" as a combining of all U. S. military forces in a single military department, a tightly integrated vertical organization, with a single Chief of Staff to command and a single military General Staff to coordinate the combat branches of the Army, Navy, Air Force, and the supporting services.

The significant part of plan "Merger" from the point of view of this study, however, is that the first active step is taken to implement a "Fourth Service of Supply". "Merger" defined the fourth service as the primary supporting service for the combat branches; and to consist of the technical services of the Army, the Air Materiel Command of what is now the Air Force, and the technical bureaus and the supply bureau of the Navy (to the extent these could not be absorbed by the technical services of the Army) combined into a command similar to the World War II Army Service Forces. It is important to note that the Army concept of a "fourth service" envisioned military staffing and control, whereas the present day concept of the fourth service places emphasis on civilian staffing and control.

In May 1946 a Navy plan defined "Unification" was promulgated. "Unification" proposed a plan for an organization to coordinate relatively autonomous military departments. It called for central policy coordination of procurement (including production) and the distribution systems of the military departments under a Munitions Board. It was this plan which was selected by the Congress as the primary basis for the National Security Act of 1947.

Another noteworthy event occurred in February 1947 when the Navy initiated the "Integrated Navy Supply System". This system was, in fact, a comprehensive plan for the accomplishment of all aspects of supply support for the Navy. It provided for a single inventory control point for each broad category of items. The basis of the plan lay in the definition of the "Technical - Supply Team", and the delineation of the functions of the "technician" in relation to those of "supply manager" together with the organizational scheme for coordinating the efforts. The plan provided for restoring the Navy policy of carrying all stocks of material under a singly-administered system of supply centers, depots, and supply departments.

When the framework of the Single Manager System is examined in a subsequent chapter, its similarities to the Integrated Supply System of the Navy will come into sharp focus.

The National Security Act of 1947 and Unification. - As personal Chief of Staff to President Roosevelt during World War II, Admiral William D. Leahy had responsibilities for coordinating the military efforts of the War and Navy Departments. The creation of this position was the first step toward the unification of the Armed Services. After the war, James Forrestall as Secretary of the Navy appointed Mr. Ferdinand Eberstadt to make a study addressed to the question "Would unification of the War and Navy Departments under a single head improve our national security; and, what should be the form of postwar organization for Defense?" The Eberstadt Report actually became the foundation on which the National Security Act of 1947 was built.[6]

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[6]Commission on Organization of the Executive Branch of the Government, Business Organization of the Department of Defense, (Washington: June 1955), Appendix B, pp.144-145

The first definitive action toward unification was accomplished with the founding of the National Military Establishment in July 1947 in conformance with the provisions of the National Security Act (PL 253, 80th Congress). Problems of military supply management were overshadowed at the outset by those concerning the basic organization and combat missions of the Armed Forces. However, Section 202 of the 1947 Act provided that the Secretary of Defense "take appropriate steps to eliminate unnecessary duplication and overlapping in the fields of procurement, supply, transportation, storage, health, and research". This Act also provided for the establishment of the Munitions Board, the duties of which included:

a. To coordinate the appropriate activities within the National Military Establishment with regard to industrial matters, including the procurement, production, and distribution plans of the departments and agencies comprising the Establishment;

b. To recommend assignment of procurement responsibilities among the several military services and to plan for standardization of specifications and for the greatest practicable allocation of purchase authority of technical equipment and common-use items on the basis of single procurement;

c. To make recommendations to regroup, combine, or dissolve, existing interservice agencies operating in the fields of procurement, production, and distribution, in such manner as to promote efficiency and economy.

Munitions Board Studies. - To examine the feasibility of assigning to a single department the responsibility for procurement,

distribution, including depot, storage and issue, and maintenance of common categories of supply, the Department of Defense charged the Munitions Board in 1951 to initiate a series of supply system studies. Of several categories eligible for consideration the medical and dental category was selected initially. A significant facet of these studies was a test now commonly referred to as the "Alameda test". In this particular test, the Army Medical Depot, Alameda, California, assumed, in addition to its then established mission, the logistic responsibility for depot procurement, distribution, and depot maintenance, of medical and dental supplies and equipment for all activities of the U. S. Navy including shore, fleet, and overseas activities then receiving medical supply support from the Naval Medical Supply Depot, Naval Supply Center, Oakland, California.

In addition to its study in the medical - dental area similar studies were also undertaken by the Board for the categories of automotive supply systems and subsistence supply systems.

The "Bonner Bill" and the "O'Mahoney Amendment". - In 1951 a subcommittee of the House Committee on Expenditures in the Executive Department under the chairmanship of Representative Bonner reported to the House of Representatives that serious deficiencies in military supply management existed, and that attempts at service cooperation were unsatisfactory. The Committee alleged that a lack of effective cross-servicing existed among the services and that interservice rivalries resulted in needless duplication and wasteful supply practices. This led to the introduction of the "Bonner Bill" which would have established a Fourth Service of Supply in the Department of Defense. The bill was not passed.

The O'Mahoney Amendment, Section 638 of the Department of Defense Appropriations Act of 1953, represented a compromise to the proposed "Fourth Service of Supply" introduced by the Bonner Bill. This amendment enjoined the Secretary of Defense to take necessary steps to eliminate duplication and establish a practical and integrated supply system.[7] The Senate report on the O'Mahoney Amendment expressed strong concern over this problem of integration stating: "When the next Congress convenes the Department of Defense should present a program . . . which will speedily eliminate the duplications and 'historical accidents' that recur and exist in the present system . . .".

This amendment led to the promulgation of Department of Defense Directive 4000.8 of September 1952[8] setting forth basic regulations governing the military supply system. With this directive the movement toward the Single Manager Concept began to take definitive proportions.

The Military Supply System Regulations. - The regulations promulgated by the Secretary of Defense in Department of Defense Directive 4000.8 set forth in considerable detail the objectives to be pursued in the fields of procurement, commercial and industrial type facilities, distribution, cataloging and standardization, conservation, utilization and disposal, transportation and traffic management, production, personnel and training, and requirements review. With respect to distribution the regulations stated:

(a) Within each military service there shall be established and

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[7]U. S. Congress, Defense Appropriations Act of 1953, Section 638, P.L. 488, 82nd Congress, 2nd Session, pp.21-22

[8]Appendix A

maintained but one single supply and inventory control point for each specified category of items.

(b) Stocks of common-use standard stock items will be financed through stock funds.

(c) Integrated Supply Support for common-use standard stock items will be developed. In areas within the U. S. and overseas, supply support will be accomplished by single service assignments in which one department will support all others, or by cross-servicing in such areas in which supply support will be obtained by one department from the nearest or most economical source without regard to which department controls such source, unless . . . [it] will not result in net advantage to the Department of Defense as a whole.[9]

In some respects the O'Mahoney rider to the Appropriation Act of 1953 might be labeled THE BIG STICK approach to the military supply problem since it raised a question about the legality for the expenditure of appropriated funds without "an integrated supply system to meet the needs of the military departments".[10] The principal difficulty, however, was the fact that there was no universal agreement on what the word "integrated" meant.

Department of Defense Directive 4000.8 notwithstanding, it soon became obvious that no progress was possible without a single supply catalog system. This need resulted in the Defense

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[9]Department of Defense Directive 4000.8, Establishment of Basic Military Supply System Regulations, (Washington: 5 September 1952) pp.3-5 Italics mine.

[10]U. S. Congress, Defense Appropriations Act of 1953, op. cit., pp.21-22

Cataloging and Standardization Act, P.L. 436, 82nd Congress. The intention of the Act was to insure that only one distinctive combination of letters or numerals or both would identify the same item either within a bureau or service, between bureaus or services, or between the military departments. It was the intention that once this latter purpose had been accomplished that a considerably stronger integration of common-use standard-stock items could be achieved among the military departments. The act established the Defense Supply Management Agency (DSMA) within the DOD.

The next important development in the evolution of the Single Manager Concept took place in June of 1953 when President Eisenhower undertook the reorganization of the Department of Defense.

Reorganization Plan Number 6 of 1953 transferred all functions of the Munitions Board, the Research and Development Board, the Defense Supply Management Agency, and the Office of Director of Installations to the Secretary of Defense. It abolished these boards and agencies and provided in their place six additional Assistant Secretaries of Defense and a General Counsel. It advanced a series of very controversial changes in connection with the Joint Staff, and the administration of unified commands. It provided in the case of the latter that the Secretary of Defense would now designate a military department to serve as executive agent for a unified command, rather than having the Joint Chiefs designate one of their number directly to so act.[11]

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[11]President of the United States, Reorganization Plan Number 6, 1953, 83rd Congress

After the reorganization of 1953, Mr. Charles Thomas, then, Assistant Secretary of Defense for Supply and Logistics, inherited the task of carrying out the programs spelled out in DOD Directive 4000.8.

Mr. Thomas recognized immediately that everything could not be accomplished at once. He felt that no satisfactory progress could be accomplished unless each service brought its supply system to a common high standard of performance.

In a memorandum dated 13 November 1953 Mr. Thomas established an ad hoc committee to evaluate the Munitions Board Supply System Studies. Assistant Secretary Thomas stated, "There is no present, or intended, or desired plan for the establishment by direction or indirection of a Fourth Department of Supply or to divide commodity segments among departments." Secretary Thomas further stated that the following action must be taken:

a. Financing and accounting procedures among the supply services should be completely reviewed and brought into consonance with each other to establish a firm basis essential to effective and economical cross supply support.

b. The total volume of inventories should be analyzed and reviewed by all services and reduced so far as possible in conjunction with the assigned missions of the respective departments.

c. The assets of one service should be utilized against the requirements (demands) of other services to the extent that total inventories can be reduced thereby in a most economical manner.

d. Transportation of supplies from distant points to points of use should be reduced by employing assets of other services on a basis mutually agreed upon by the respective departments involved.

e. Responsiveness of supply systems to command must be maintained in the military services to the extent they are in accordance with legislative requirements and current DOD directives. This responsibility and authority will be strengthened by:

(1) Interservice agreements being premised on the basis of principal-agent relationship with the definite assurance that the receiving service (principal) requirements will be performed by the providing service (agent) consistent with effectiveness and economy.

(2) Interservice agreements being spelled out in detail, and specific arrangements with respect to one category of material not being applied to any other category in the absence of definite agreements.[12]

It might be noted that the Hoover Commission in its report on food and clothing in April 1955 refers to Mr. Thomas' memorandum as being "in complete disregard" of DOD Directive 4000.8 issued pursuant to the O'Mahoney Amendment.[13]

Under the policy set down by Mr. Thomas the Services made great progress. They were able to turn to their individual problems, and could forget, momentarily, having to contend with purported improvements generated at high echelons. The Navy, which had already integrated its supply system - - - such developments as one inventory control point for each item, financial inventory accounting, prescribed stock levels,

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[12]Assistant Secretary of Defense (S&L) Memo, Policy Guidance for Ad Hoc Committee on Supply Systems for Common-Use Items, 13 November 1953

[13]Committee on the Organization of the Executive Branch of the Government, Task Force Report on Food and Clothing, (Washington: April 1955) p.135

stock fund financing - - - was able to go forward with programs of fractionation, stratification, popularity storage, etc. The Army and Air Force were able to develop stock funding and financial accounting. Joint service excess property clearing houses were established. Arrangements between the Navy and Marine Corps were accomplished toward a more economical basis for mutual support. Local cross-servicing agreements between services came into being. Working panels for the redistribution of long stocks of food and clothing were functioning. A remarkable amount of exchange of support between the services began to take shape.

During the period 1953 and 1954 the Department of Defense shifted its approach to supply problems from one of commodities to one of functions. Several developments took place as a result:

(a) The Munitions Board Studies were cancelled in December 1953.

(b) The Armed Services Textile and Apparel Procurement Agency was legislated into disestablishment by the DOD Appropriations Act of 1954.

(c) The "Alameda Test" was abandoned in 1954 as unsuccessful.

In a letter from Mr. Pike (the new Assistant Secretary of Defense for Supply and Logistics) to Congressman Riehlman in July 1954 the action of the Department was justified by stressing the following:

(a) That if the Munitions Board Supply System Studies had been completed and implemented they would have created far more diversification in organization, methods, and forms than then existed and that such a course of action would provide a multiplicity of supply systems equalling the number of commodity areas assigned.

(b) That this continued existence of the Munitions Board Supply Systems Study Project precluded the treatment of basic supply problems across the board.

(c) That the fundamental difference between the new approach and the approach exemplified in the Supply Systems Study Project is that the commodity approach solves commodity problems only whereas the functional approach covers all problems.

Then came the Second Hoover Commission, and with it, the Single Manager Concept became reality.

CHAPTER III

THE SIGNIFICANCE AND MEANING OF SOME MILITARY MANAGEMENT POLICIES AND METHODS

Chapter II outlined the chronology of historical developments in the U. S. military logistic organization from the World War I period to the point wherein the studies of the Second Hoover Commission were promulgated, and the implementation of the Single Manager Concept for the management of common-use items and common services approached actuality.

Before a detailed examination of the Single Manager System as such is undertaken, some basic policies and definitions peculiar to the functions of providing supplies and services should be inquired into and clarified. Similarly, some of the pertinent developments in material management which preceded Single Manager Assignments should be scrutinized.

In the first place, supply management is defined as the exercise of direction and control of all phases of supply operations, including the functions of cataloging, standardization, net requirements determination, procurement, production, inspection, storage, distribution, disposal, transportation, maintenance and mobilization planning.

Common-use items are identified as a class or category of items, of commercial type, generally used throughout the military and civilian economies; common services are those readily identifiable categories of support-type services of a semi-commercial nature, utilized by two or more military departments.

Material is generally considered to include all items necessary for the equipment, maintenance, operation, and supply of military activities without distinction as to their application for administration or combat purposes.

Administrative support provides for personnel, space, facilities, and supplies, including the related budgeting, funding, fiscal control, training, manpower control and utilization, personnel administration, security administration, mobilization planning, and any other administrative provisions and services, necessary to carry out Single Manager assignments.[1]

Other activities peculiar to the program for military logistics should be recognized as follows:

(a) Single Service Procurement: procurement of supplies or services by one military Department for one or more other Departments.

(b) Joint Procurement: procurement of certain supplies to satisfy the requirements of all the Departments by a jointly staffed and financed agency within the Department of Defense.

(c) Plant Cognizance Procurement: procurement of certain supplies from a particular plant by one military Department to satisfy the requirements of all Departments.

(d) Interdepartmental Purchasing Agreements: voluntary integration of procurement among the Services.

(e) Common-servicing: service performed by one military Department for one or more other Departments for which no charge is made.

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[1]Department of Defense Directive 5160.12, op. cit., pp.1-2

(f) Cross-servicing: service performed by one military Department for one or more other Departments for which other Departments are charged.

(g) Joint-servicing: service performed by a jointly staffed and financed activity for two or more military Departments.[2]

In a study of the Single Manager Concept undertaken by LCDR D. J. Weidman, SC, USN the author pointed out that the Armed Forces Security Act of 1947 and the unification movement did not, contrary to popular conception, bring about the development and use of new principles of supply management, but rather, the issue actually was who should manage material.[3]

Likewise, Mr. Robert C. Lanphier, Deputy Assistant Secretary of Defense for Supply and Logistics, in a presentation of the Single Manager Plan to the Industrial College of the Armed Forces pointed out that the formative ideas and enabling instructions for improved supply management performance had been moving constructively and consistently forward since 1953. In short, that the path had been well developed over carefully explored ground.[4]

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[2]U. S. Department of the Army, The Fourth Service of Supply and Alternatives, (Washington: 26 September 1955) pp.136-137

[3]Donald Joseph Weidman, The Single Manager, (George Washington University: June, 1957) p.10

[4]Assistant Secretary of Defense for Supply and Logistics, Single Manager System, (Washington: 1 May 1956) pp.3-4

Furthermore, it must not be construed that over the years the Services were not making a concerted effort on their own part to improve interservice and intraservice supply relationships. In Chapter II reference was made to several examples of such progressive action.

Several other specific examples stand out as well.

Thirty-five categories of material were assigned to individual military departments under single service purchase agreements. The single service function, however, fell short of complete integration in that the interservice function performed was limited to purchasing. The individual departments computed their own requirements and merely requested purchase action from the single purchasing agent. The principal advantages realized were that material requirements could be consolidated, industry had only one, and, was aware of, its point of contact, competition for material between the services was eliminated, and responsiveness to command was retained. However, it must be recognized that the single service procurement agency could not validate either the program requirements in toto or the net requirements submitted. Similarly, there was no control over the functions of distribution, storage, issue, or disposal.

The Armed Services Petroleum Procurement Agency, The Armed Services Medical Procurement Agency, and during its short-lived existence, The Armed Services Textile and Apparel Procurement Agency are joint procurement agencies which were established. The joint agencies differed from the single service procurement agencies in that the joint agencies collated the requirements of the individual departments and performed a single act of procurement for all three departments. Beyond this difference, the same advantages and disadvantages which prevailed with

single service procurement existed with joint agency procurement.

The "Alameda Test" provides an excellent example of a Joint-servicing operation.

It was pointed out in Chapter II, that, under the aegis of Assistant Secretary of Defense Thomas, many excellent internal management improvements were accomplished by the individual services. Stock fund methods of operation, financial accounting, single inventory control points, prescribed stock levels, and, although resisted at the outset by the services, the Federal Supply Catalogs are examples of that progressive action.

It was the combination of all of these developments which made it possible to bring the Single Manager System into being, and so, provide a workable method through which efficient and effective supply operations could be carried out by the Armed Services with a minimum of disruption to existing practices and with maximum use of existing assets. At the same time, the solution to the criticisms leveled at the material management practices of the services by the Hoover Commission, and, from time to time, by various committees of the Congress was found.

It was also through the implementation of the Single Manager concept that the Services were able to circumvent the drive for a civilian-managed supply service- a plan opposed, not only, by the military, but also, by those military-minded individuals from outside the services who are intimately familiar with the concepts of modern warfare. The importance of this becomes clear when it is recognized as axiomatic that the functions of procurement, distribution, storage, issue, etc. are

integral parts of the military system. They are as incapable of separation as are the functions of strategy and tactics. Accordingly, control by any force other than military is untenable.

In the following chapter the Single Manager Plan per se will be scrutinized.

CHAPTER IV

THE SINGLE MANAGER PLAN IMPLEMENTED

The Second Hoover Commission: The Congress of the U. S. under the provisions of Public Law 108, 83rd Congress, established the Commission on Organization of the Executive Branch of the Government, or, as it is more commonly known, the Second Hoover Commission. The Congress instructed this Commission to do a number of things. Those that bear principally on the subject of the Single Manager and the Department of Defense were:

1. Reduce spending.
2. Reduce duplication and overlapping of effort.
3. Consolidate similar services and activities.

In its approach to the study of the problem the Hoover Commission followed what might be termed "the horrible example technique" as evidenced by the publicity given to the Navy's purported sixty years supply of canned hamburger (which actually was a special combat reserve stock that represented an infintissimal supply when taken in its true context). Although many of the facts developed by the Hoover Commission were twisted and not complete, it did, however, develop a series of valid findings that indicated the need for substantial improvement in the supply management functions of the services. The Hoover Commission was of the opinion that improvement could be achieved through an integrated operation - - - assign food and clothing to "some central agency". With this philosophy the Services were confronted with the possibility of a great galaxy of central agencies springing up, perhaps fifty or sixty separate supply systems - - - one to a commodity. Preliminary findings and recommendations

of the Commission, seemed to ignore the recognition of the difficulties contingent to creating a substantially different, yet manageable, organizational pattern to improve the world-wide functions necessary to provide supplies and services.

In its final reports the Commission recommended to the Congress that there should be a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities. This agency would initially be responsible for such supplies as subsistence, clothing, medical supplies, fuels and lubricants, hardware, office supplies, and automotive equipment. Civilian control was emphasized. The Commission took no note of the fact that the officer corps of all the services contained hundreds of extremely competent and well educated supply administrators - - men who had spent their entire careers preparing for positions of great responsibility in supply management. Furthermore, it left no doubt about the interpretation of the term "integrated". Nothing vague or indefinite was evident - - - the answer was to take supply management away from the services, merge it, operate it as a separate department within the Department of Defense-- The Fourth Service of Supply. Bills to implement this recommendation were promptly introduced into the Congress.

The Single Manager Plan: As a means of forestalling the imposition of a "Fourth Service of Supply" on the Department, the Single Manager Plan was implemented almost immediately by the Secretary of Defense. This concept represented a departure from the functional approach to supply management as practiced during the tenure of Assistant Secretary of Defense Thomas and a return to the commodity approach. In essence the

Single Manager concept is a management technique directed expressly at improvement in the effectiveness and economy of supply and services activities and in precluding the possibility of duplication of effort between and among the military services. Under the Single Manager Plan, when applied to a given commodity, the Secretary of a particular military department is assigned responsibilities for the accomplishment of functions of supply down through the level of wholesale distribution. Standardization, cataloging, net requirements determination, procurement, inspection, inventory management, positioning, transportation, and maintenance, are included in these supply management assignments.[1]

In many respects the Single Manager Plan may be contemplated as a compromise. A compromise designed to satisfy critics in the Congress who desired to carry out the Hoover Commission recommendations to the letter; a compromise, which could find acceptance by the services without too much resistance, in spite of grave reservations on the part of some within the military that a situation might be created which could prove more objectionable than the one being corrected.[2]

The Secretary of Defense made eight assignments, five commodities and three service functions as follows:

Subsistence: The Military Subsistence Supply Agency was assigned to the U. S. Army. Implementing procedures were approved by OSD

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[1]Assistant Secretary of Defense of Supply and Logistics, op. cit., pp.35-38

[2]Hon. John W. McCormack, U. S. House of Representatives, Extension of remarks on "Integration of Common Supply and Service Areas among the Military Departments," Congressional Record, February 23, 1956

on 6 October 1956 and the assignment became fully operational for all services on 1 July 1957.

Clothing and Textiles: The Military Clothing and Textile Supply Agency was also assigned to the Army. Implemented on 8 November 1956, procurement commenced on 1 January 1957, and the assignment became fully operational on 1 July 1957.

Medical Material: The Military Medical Supply Agency was assigned to U. S. Navy cognizance. OSD approved implementing procedures in November 1956, procurement commenced in January 1957, and operations were fully implemented on 1 July 1957.

Petroleum, Oils and Lubricants: The Military Petroleum Supply Agency was established effective 7 January 1957, although implementing procedures had been approved by OSD on 21 December 1956. This assignment became fully operational on 1 July 1957.

Photographic Material: This assignment was made to the U. S. Air Force, but has been placed in a deferred status.

Traffic Management: The Military Traffic Management Agency was assigned on 3 May 1956 to the Army, became effective on 1 July 1956, and fully operational on 1 July 1957.

Ocean Transportation: The Single Manager Service Assignment for Ocean Transportation was promulgated as of 28 May 1956. The assignment was made to the Navy. Implementation and operation of the assignment were almost immediate.

Air Lift Service: The Single Manager Assignment for Air Lift Service was promulgated on 7 December 1956 and assigned to the Air Force. Implementing details are being developed and the service is not in

every respect fully operational as a Single Manager assignment.

Basic Principles of the Single Manager Plan. - In concept the Single Manager Plan is unencumbered with detail. Three main features predominate:

1. It merges the inventory control points of the three military services for the assigned commodity into a single control point.
2. It requires the design of an area depot system for wholesale distribution and storage.
3. It utilizes existing military and civilian personnel, existing facilities, and existing organizations.

In short, the concept calls for assigning wholesale supply responsibility to one military service for itself, and the other two services, within an organizational structure that is adaptable to effective management.

Organization and Staffing. - It is readily understood that prior to the specific assignment of a commodity or service a plethora of negotiation and adjustment of differences and points of view must be consummated. Complications at this stage are probably far greater than the actual act of organization, for, like the basic policies, the organization is simple in design. Under the process of organization the Secretary of one military department is designated by the Secretary of Defense as the Single Manager for the commodity or service in question. The Single Manager is thus responsible for performance of all supply management functions related to the specified commodity or service for all the Armed Forces. This responsibility encompasses the entire supply field, including cataloging, standardization, requirements determination,

procurement production, inspection storage, distribution, transportation, and maintenance. As indicated, the appointed Single Manager is, in each case, the Secretary of a military department. He retains responsibility even though he delegates the task.[3]

After the designation of the Single Manager the organization takes form rapidly. The new Agency is established to house the merged inventory control points of the three services and an Executive Director is appointed to administer the Agency. The Director's status is also established within his own department. For example, when Secretary of Defense, Mr. Charles E. Wilson established the Military Medical Supply Agency as an activity of the Navy, the Secretary of the Navy appointed Rear Admiral W. L. Knickerbocker, SC, USN as Executive Director. Further, the status of the Executive Director was established when he was instructed to report to the Single Manager through the Chief of the Bureau of Supplies and Accounts. The Executive Director of an Agency is assigned no other duties. As a third step the Single Manager appoints advisors for the Executive Director. These advisors serve as an Administrative Committee.

At this point it might be appropriate to consider the duties of the Executive Director's Administrative Committee. This staff is charged with assisting the Executive Director in identifying and overcoming problems concerning the operation of the Single Manager Assignment. It is a group of specialists meeting for the purpose of recommending solutions to particular problems and of promoting the effectiveness and

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[3]Industrial College of the Armed Forces, Publication No. L57-71, The Single Manager Concept for Supply Management, (Washington, D. C.: November 1956) p.29

economy with which the agency meets the needs of the military departments. Its membership is as follows:

(a) Executive Director - Chairman.

(b) A representative from the Army, Navy (or Marine Corps at the discretion of the Secretary of the Navy), and the Air Force.

(c) Assistant Secretary of Defense (Comptroller) or his representative.

(d) Assistant Secretaries of Defense appropriate to the commodity or service, or their representatives.

The Committee may be augmented by technical personnel from military departments, as determined by the Single Manager, and as commodity or service problems under consideration dictate. This Committee is neither a policy board nor an executive directorate.[4]

With respect to staffing the agencies, the Executive Director is, in every case, from the same service as the Single Manager and the position is not expected to rotate among the services as was the case with Joint Service Procurement Agencies. The extent to which the agencies will be staffed below the Executive Director by military personnel from the various services continues to remain a subject for further study by the Department of Defense. At the present time Agencies are staffed by officers from all the services.

Civilian personnel of the agencies are employees of that military department which is headed by the Single Manager. In setting up the operating agencies, the Single Manager and his Executive Director have been enjoined to make optimum use of personnel now engaged in similar

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[4]Department of Defense Directive 5160.12, op. cit. p.2

work both in their own department and other military departments.[5]

Under the Single Manager system for a commodity category the Executive Director assumes control of the area distribution points, which may be those of any department. The determining factor in the assumption of control over a depot of any one of the departments is its effective geographical location with respect to all Army, Navy, and Air Force retail establishments in that particular area. Chart I[6] exemplifies the advantages to be gained very graphically. It should be noted that in making one system out of three, four depots will suffice in lieu of five. The elimination of cross-hauls and back hauls has reduced straight line mileage from 59,290 miles to 33,280 miles, a reduction of 44%. Definite savings and improvements in service can certainly be expected from developments such as these.

It follows that with control of the distribution points, the storage and issue of all designated items is effected by the Single Manager. The depot, which is designated to carry Single Manager material, stores wholesale stocks, acts as agent for the Single Manager and issues material, as required, to all services. Thus, it can happen that the Single Manager may have stocks positioned in depots belonging to one or more of the services, or perhaps, in some cases, to all of the services, each serving activities of each of the others in any particular area.

Chart II is illustrative of the Single Manager Organization.

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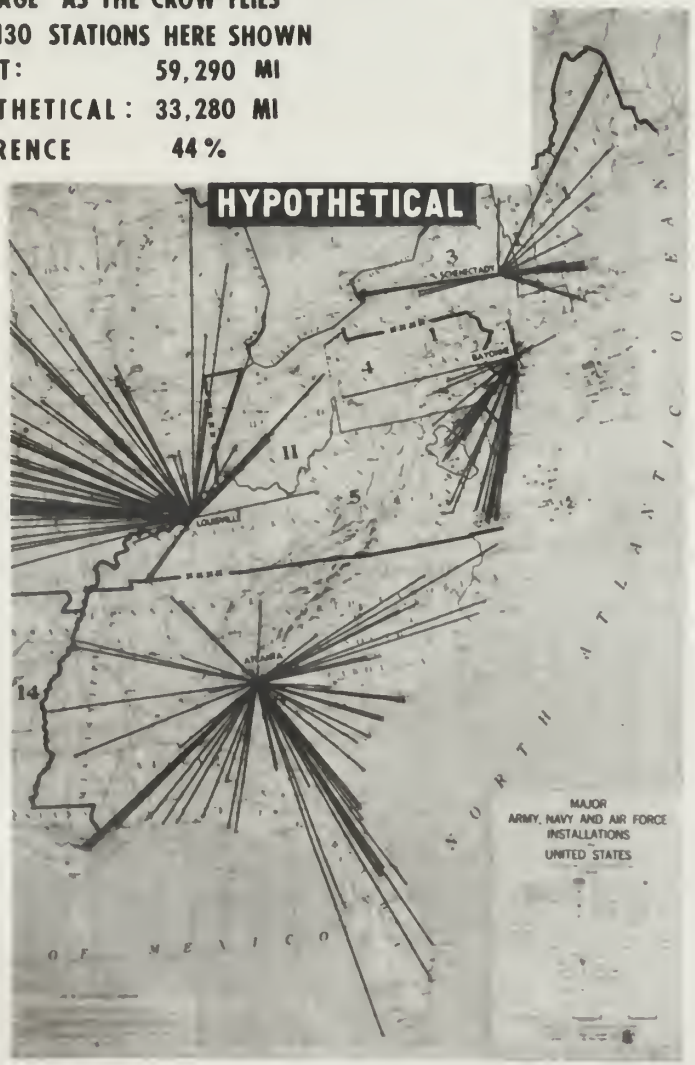
[5] Ibid., p.3

[6] Assistant Secretary of Defense for Supply and Logistics, op. cit. p,42

MEDICAL SUPPLY DISTRIBUTION PATTERNS (EASTERN STATES)

TOTAL MILEAGE "AS THE CROW FLIES"
DEPOT TO 130 STATIONS HERE SHOWN

PRESENT:	59,290 MI
HYPOTHETICAL:	33,280 MI
DIFFERENCE	44 %



PRESENT: 5 DEPOTS
HYPOTHETICAL: 4 DEPOTS

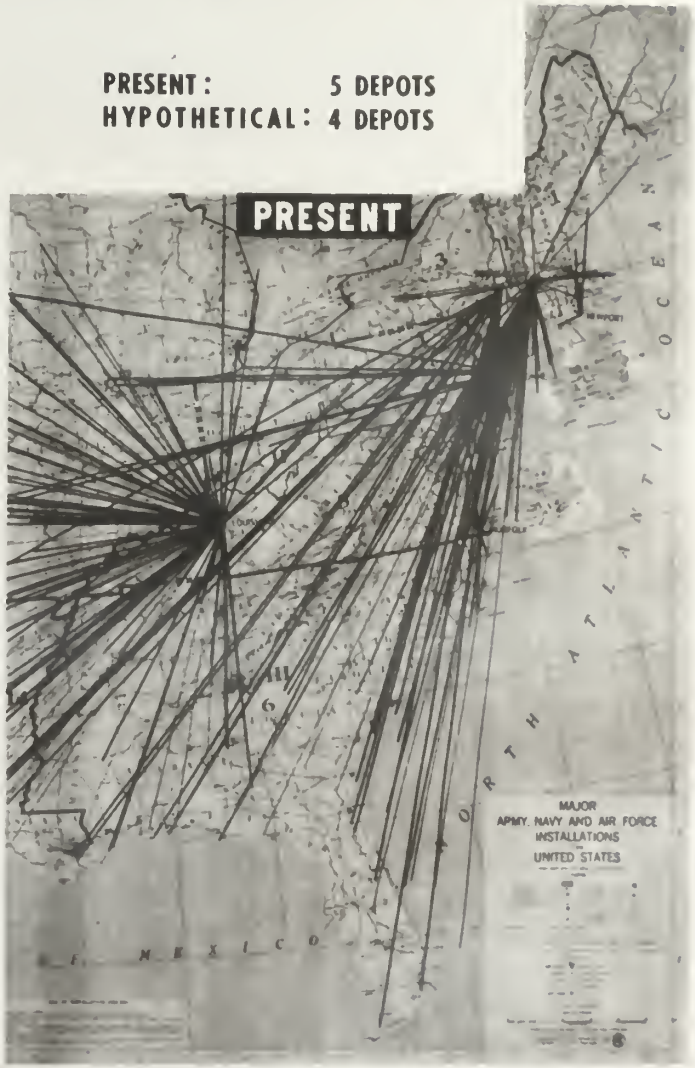


CHART I

SINGLE MANAGER ORGANIZATION

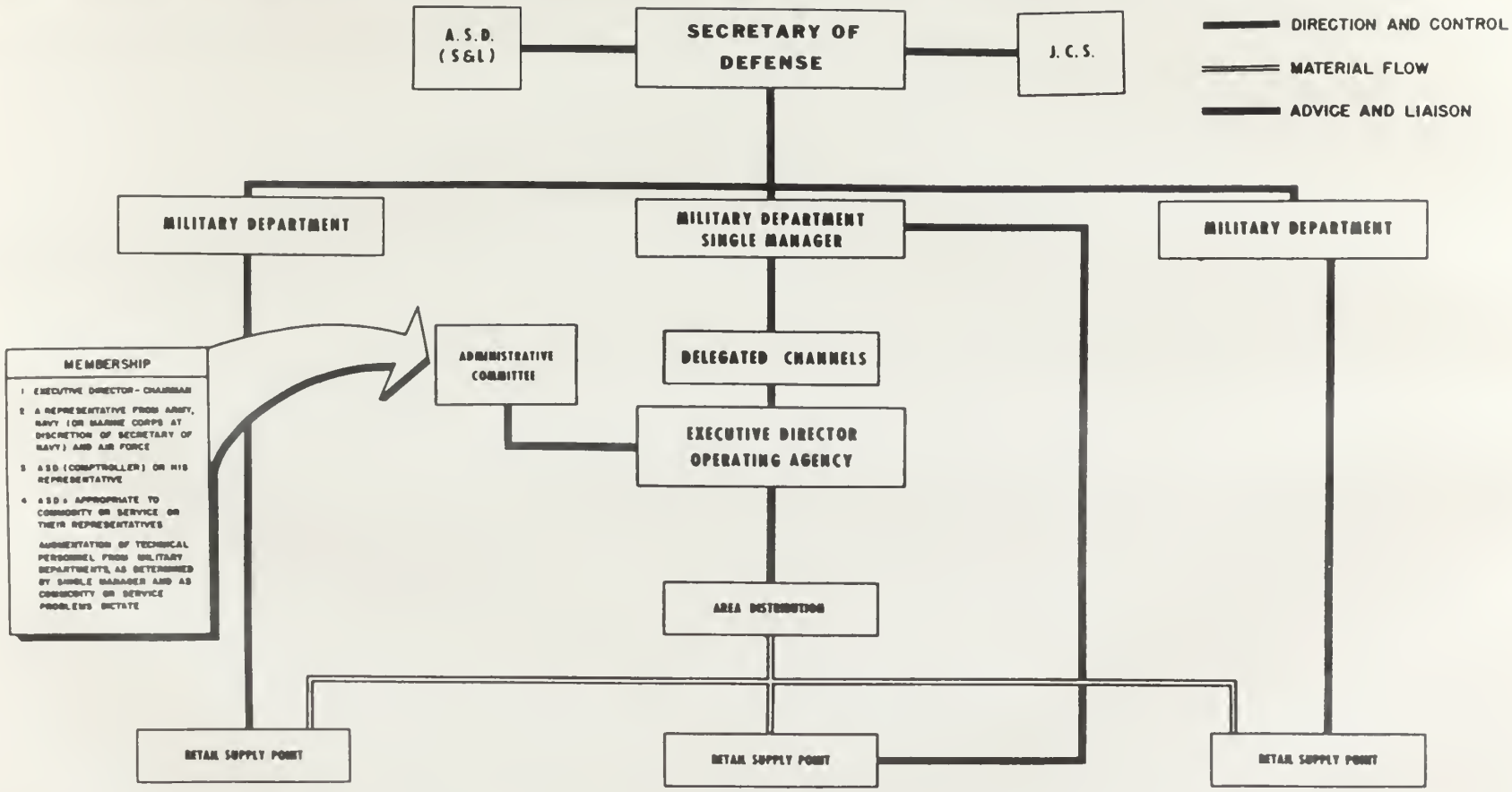


CHART II

Operating Procedures. - Program requirements are the foundation on which any system of supply management is based. Gross program requirements can only be determined by, and originate with, the requiring services. Accordingly, under the Single Manager assignment each individual service continues to be responsible for its individual program requirements. A statement of these requirements is furnished to the Single Manager by each. At this point independent service action ends. It becomes the Single Manager's function to compute net requirements for procurement in order that the individual service gross requirements may be satisfied. The advantage gained here is that the Single Manager has information available with respect to total quantities of the commodities on hand and on order, knows what future total planned requirements exist, whether excesses are on hand or are developing, and so, may weigh every factor before initiating procurement action to satisfy computed net requirements.

Total requirements are procured by the Single Manager and financed by a separate division of a single stock fund. The stock fund is the key to the control of material, and control is inherent to ownership. The Single Manager owns all wholesale stocks of his commodity, regardless of where they are positioned. They remain under his ownership and control from the moment of purchase until sold at the retail level.

So, in recapitulation, it is seen that the Single Manager owns and controls the movement of wholesale stocks. However, the individual services will actually warehouse these wholesale stocks at the request of the Single Manager and will pay the warehousing expenses.

Corrollary with ownership and control of the wholesale stocks, it follows that another function of the Manager will be to position his

stocks at points as centrally located as possible to the areas of greatest requirement and to redistribute stocks if they become imbalanced between these distribution points. Furthermore, if excesses develop at the retail level, it is within the purview of the Single Manager to redistribute or rotate such stocks as conditions require, regardless of the fact that ownership at this level is vested in the individual service.

A Single Manager operating agency is charged not only with purchasing and distributing responsibilities, it is also responsible for preparing and issuing catalogs and stock lists as part of the Federal Catalog program. It directs standardization programs for its commodity, and assumes advisory status for research and development programs which may be under study by the technical agencies which the Single Manager serves. Other responsibilities include the functions of inspection of new material, maintenance of material in store and the disposal of material determined to be surplus. Finally, and of exceeding importance, is the function of determining commodity requirements for mobilization planning.

The authority vested in the Single Manager is obviously broad and discretionary. It covers the complete cycle from introduction of items into the supply system all the way through to the issue function to the consuming military service. However, it should be noted that several functions peculiar to effective supply management are not absorbed by the Single Manager. For example, the military departments will be required to furnish the Single Manager the following information:

(a) Program requirements with supporting data.

(b) Mobilization requirements with supporting data.

(c) Gross consumption requirements.

(d) Material in long supply in the retail system.

(e) Reserve stocks requiring rotation.

(f) New item requirements.

Furthermore, the military departments will be required to administer individually the following functions as heretofore:

(a) Local inventory control procedures.

(b) Satelliting policy and procedures.

(c) Accounting methods and procedures.

(d) Financial control.

(e) Financial reports.

(f) Performance statistics.

(g) Research and development.

(h) Depot operation.

(i) Management of their own activities.

At the present time, the Single Manager System is applicable only within the continental United States. The assigned Single Managers have, however, been requested by the Department of Defense to submit plans and recommendations regarding extension of the plan overseas.

The Development of the Military Medical Supply Agency. - In order that a comparison may be made of the manner in which the significant elements of the concept, as expressed in the preceding paragraphs, have fitted into place in actual operation a description of the Single Manager Assignment for Medical Material, as it is presently constituted, will be set down in limited, but significant, detail.

The Single Manager charter for medical material was issued on 4 May 1956. This directive assigned the responsibility for the supply

management of all medical material for the Armed Services to the Secretary of the Navy, as Single Manager.[7]

On 12 April 1956 the nomination of Rear Admiral W. L. Knickerbocker, SC, USN as Executive Director was approved, and, on 26 June 1956, the Agency was designated as an activity of the Navy under the management control of the Bureau of Supplies and Accounts and under the technical control of the Bureau of Medicine and Surgery. Chart III indicates the positioning of the Military Medical Supply Agency within the Department of the Navy.

For medical material the Single Manager assignment meant that the Military Medical Supply Agency now assumed the majority of the functions previously performed by the Armed Services Medical Procurement Agency, a joint service agency, which heretofore had the prime responsibility for purchasing the medical requirements of the Military Services.

Within the separate distribution systems, the three services together owned an inventory valued in excess of $320,000,000. This inventory comprised about 9,500 separate items of which 85% were in common use by all the services. Along with functions of the Armed Services Medical Procurement Agency, the Single Manager also accepted transfer of stock control and financial control functions from the three military stock control offices in so far as these functions pertained to wholesale operations for the $320 million outstanding.

With respect to the details of organization, the charter of the MMSA specified that "key military staff positions subordinate to the

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[7]Department of Defense Directive 5160.16, Single Manager Assignment for Medical Material, (Washington: 4 May 1956), p.4

POSITIONING OF MMSA
WITHIN THE
DEPARTMENT OF THE NAVY

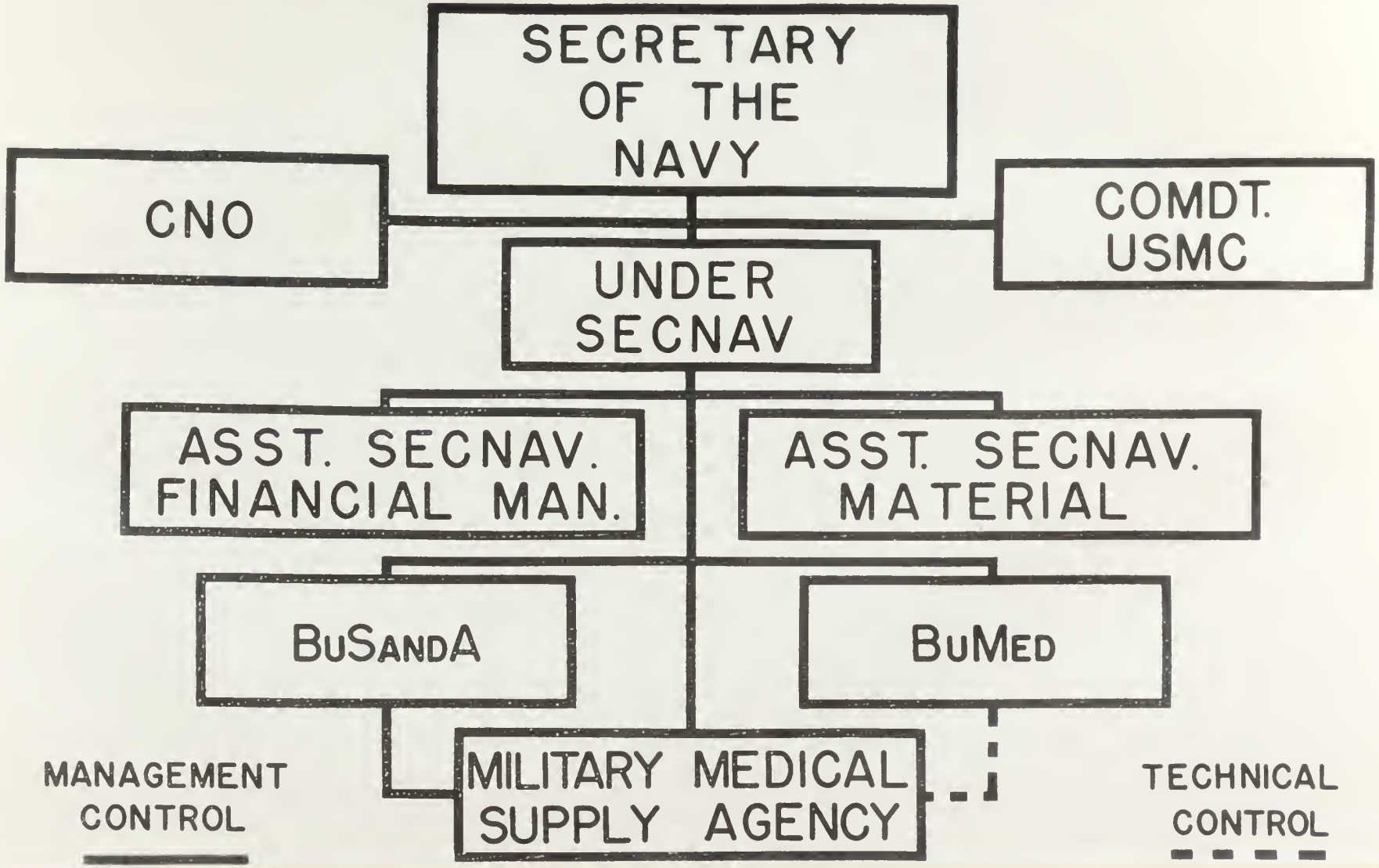

CHART III

Executive Director were subject to rotation on a periodic basis among the military services as agreed to by the Single Manager and the Secretaries of the other two military departments".[8] The military structure of the organization was staffed about equally by officers of the Navy Supply Corps and of the Medical Service Corps of the three services. The civilian complement in the organization is supported by the Department of the Navy. It is significant to note that from the very implementation of the assignment, civilian personnel requirements have declined and ceilings have been reduced significantly without loss of effectiveness.

The MMSA Distribution System provides for primary, distribution, and reserve stock points. Primary stock points are designed to carry fast moving items (approximately 1500) for issue to the Army, Navy, and Air Force activities. Historical issue experience indicated that these 1500 fast moving items would satisfy 90 per cent of anticipated customer demand. Distribution stock points carry a full range of items and serve to back up the primary stock points. Reserve stock points carry bulk quantities not ordinarily required for peacetime operations, but which are necessary to provide mobilization reserves.

Initially, the established distribution system eliminated the medical supply support functions of one Navy depot and one Marine Corps activity. Subsequently, four additional reserve stock points were phased out of operation. The distribution system has already paid dividends in terms of savings in manpower and dollars. It has also permitted inventory reductions without interrupting the effectiveness of the flow of medical supplies to retail and consuming activities or reducing the Agency's ability to provide supplies, when required. Chart IV illustrates the Military Medical Distribution System.

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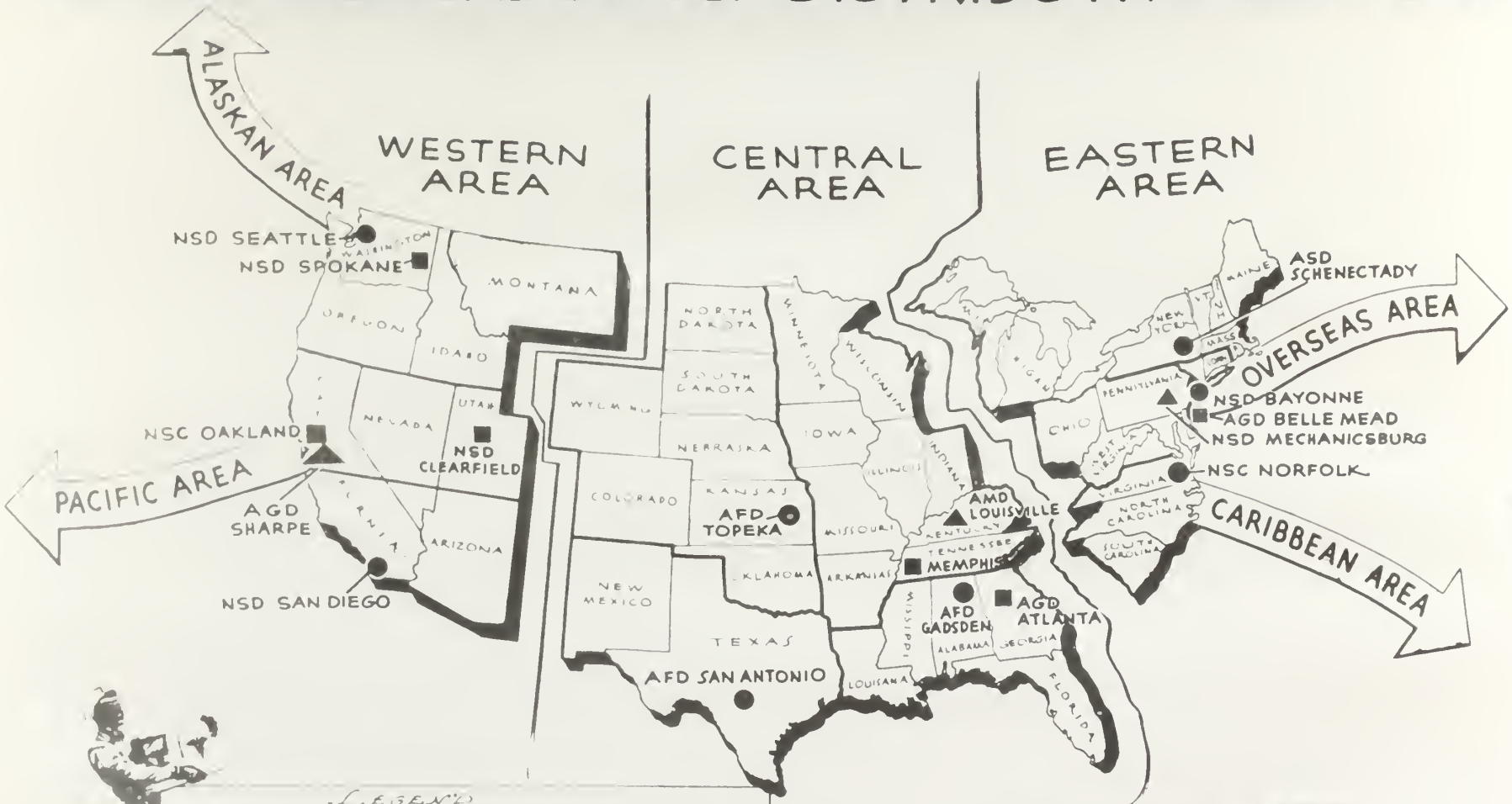
[8] Ibid., p.7

MILITARY MEDICAL SUPPLY DISTRIBUTIVE PATTERN



The establishment of mobilization reserve stocks is a facet of supply management closely allied to distribution and of particular importance for medical supplies. Prior to the establishment of Single Manager assignments, the services had been unsuccessful in obtaining money to finance mobilization stocks. Consequently, they had been unable to take advantage of the availability of each others excess stock in spite of the fact that studies had indicated that several million dollars worth of excess stock could be redistributed to satisfy mobilization deficiencies if such transfer could be made without reimbursement. The implementation of the Single Manager Assignment for Medical Material had the immediate effect of making possible the allocation of this excess material to meet total service requirements without reimbursement or exchange of funds.[9]

Analysis of Chart V indicates the locus of activity for the accomplishment of the remaining functions of the mission of the MMSA. Those functions most concerned with operating procedures are vested in the Supply and Distribution Department and require only cometary appraisal as follows:

<u>Requirements</u> - Receive from the military services on a cyclical basis peacetime and mobilization requirements together with the data and basic assumptions upon which the requirements were premised. Direct the periodic submission of inventory status reports of retail operating and reserve stocks. Develop the total DOD requirements program for purposes of procurement, distribution, and disposal.

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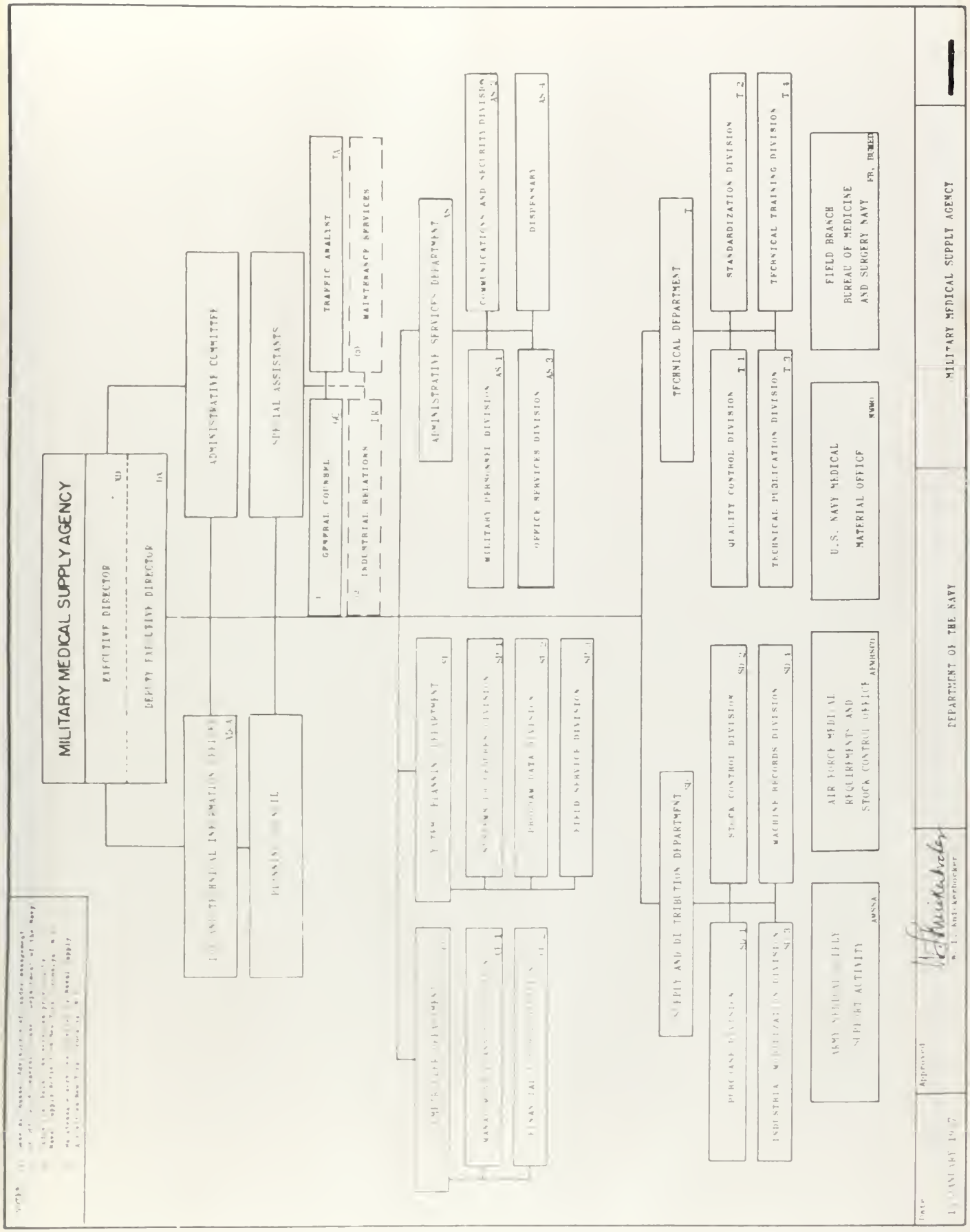
[9]Rear Admiral W. L. Knickerbocker, <u>Single Manager Plan for Medical Supply</u>, (Unpublished), pp.10-12

CHART V


MILITARY MEDICAL SUPPLY AGENCY
EXECUTIVE DIRECTOR
DEPUTY EXECUTIVE DIRECTOR
ADMINISTRATIVE COMMITTEE
SPECIAL ASSISTANTS
GENERAL COUNSEL
INDUSTRIAL RELATIONS
TRAFFIC ANALYST
MAINTENANCE SERVICES
ADMINISTRATIVE SERVICES DEPARTMENT
MILITARY PERSONNEL DIVISION
OFFICE SERVICES DIVISION
COMMUNICATIONS AND SECURITY DIVISION
DISPENSARY
TECHNICAL DEPARTMENT
QUALITY CONTROL DIVISION
TECHNICAL PUBLICATION DIVISION
STANDARDIZATION DIVISION
TECHNICAL TRAINING DIVISION
U.S. NAVY MEDICAL MATERIAL OFFICE
FIELD BRANCH BUREAU OF MEDICINE AND SURGERY NAVY
SUPPLY AND DISTRIBUTION DEPARTMENT
STOCK CONTROL DIVISION
MACHINE RECORDS DIVISION
PURCHASE DIVISION
INDUSTRIAL MOBILIZATION DIVISION
AIR FORCE MEDICAL REQUIREMENTS AND STOCK CONTROL OFFICE
ARMY SPECIAL SUPPLY SUPPORT ACTIVITY
FIELD SERVICE DIVISION
MILITARY MEDICAL SUPPLY AGENCY
DEPARTMENT OF THE NAVY
Approved
Date

Procurement - Conduct or direct procurement, including contract administration, for all centrally procured items. Designate items to be procured locally. Furnish to the services procurement and production data for use in requirements and supply studies. Account for and control government-furnished material. Procure material for the Mutual Defense Assistance Program, the Federal Civil Defense Administration, and civilian aid programs.

Inspection - Direct inspection and quality control for medical material with respect to procurement, storage, and maintenance of supplies.

Mobilization Planning - Coordinate and direct mobilization planning. Recommend mobilization policies and procedures to the Department of Defense. Coordinate production schedules, potential aources of supply, prepardness measures contracts, reserve production facilities with industry.

Storage - Determine requirements for storage space. Request necessary space from the owning services. Maintain records of space utilization. Assign specific storage missions, if required.

Inventory Control - Maintain central control over medical material inventories. Prescribe stockage objectives. Prescribe a current, accurate, and repetitive inventory reporting system. Prescribe requisitioning procedures. Establish prices and pricing procedures. Direct distribution and redistribution. Coordinate the positioning of mobilization reserve stocks. Screen all excesses. Report excesses to the GSA.

Stock Fund - Administer the Single Manager Medical Material Stock Fund.

Research and Development - Make recommendations to the services for research and development into unproved material. Make recommendations to DOD for program changes.

Cataloging and Standardization - Coordinate cataloging operations. Operate as a single submitting activity in the Federal Catalog System. Develop and direct a program of standardization and of standards and specification maintenance.

Transportation - Arrange for required transportation or traffic management services from the Single Managers for those services.

Maintenance and Manufacture - Coordinate the operation of all military activities engaged in maintenance, manufacture, assembly, or approved rehabilitation of medical material owned by or entering the wholesale distribution system.

Personnel and Training - Establish military and civilian career development patterns. Coordinate the execution of an adequate and well integrated specialized training program with industry. Review training programs of the services and provide for maximum cross-servicing in training.[10]

Objective evaluation of the Military Medical Supply Agency is still premature because of its relatively short lived existence. The indications are evident, however, that the MMSA is accomplishing the goal for which it is designed; namely, to correct:

(a) multiple systems for the same items,

(b) duplication of inventories,

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[10]Department of Defense Directive 5160.16, op. cit., pp.6-11

(c) duplication of supply pipelines, and

(d) cross hauling of material;

because, under its charter, the Military Medical Supply Agency:

(a) purchases and owns all wholesale stocks,

(b) has inventory and issue knowledge for all items,

(c) sells stocks to the services based on consumer needs,

(d) positions material for optimum area support and dispersal, and

(e) determines inventory levels based on service requirements.[11]

Variances between Commodity Agencies. - Even though the organizational structure is basically identical for all five of the Single Manager assignments, several important deviations developed during the process of implementation. These differences are of significant importance and should not be passed without comment.

It is obvious that subsistence items and medical and dental items by their very nature are truly common-use items. The field of clothing and textiles, at first consideration, appears to contain the same common attributes of "common-use" as subsistence and medical. Nevertheless, in implementing the Clothing and Textile Assignment, differences soon developed. About 35,000 line items were considered to be applicable for clothing and textile commodity assignment. However, of the total number of items designated, only a small percentage proved to be actually common within the three services. Accordingly, many clothing items in special categories such as development and occupational items, and certain subdivisions of special flight clothing were exempted from Single Manager assignment and control.

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[11]Rear Admiral W. L. Knickerbocker, SC, USN, Presentation to the Appropriation Committee, House of Representatives, (Unpublished: April 1957)

Differences in the Petroleum Assignment are even more pronounced. In fact, as presently constituted, the Single Manager Assignment for Petroleum is, in the last analysis, little different from the Armed Services Petroleum Purchasing Agency which it replaced. The Single Manager for Petroleum owns no wholesale stocks of his commodity, nor does he undertake stock positioning. Because he exercises no wholesale stock ownership, and does not engage in positioning activity, there is no basis for the coordination of mobilization planning for bulk reserve stocks of petroleum. Again, because there is no wholesale managerial function, there is no stock fund operation by the Single Manager. Another variation exists with respect to aircraft fuel. Each military department has authority to contract for plane refueling service where fuel is Government furnished. Since there are few circumstances where fuel of this type is not Government furnished, the Single Manager automatically has no control over aircraft fuel as a commodity. These restrictions on the Single Manager for Petroleum, therefore, for all practical purposes, reduce his operating functions to nothing more than purchasing and slating.

As previously noted, the implementation of the Single Manager Assignment for Photographic Material has been deferred. It is expected that final decisions on this commodity will be reached about 1 July 1958. Photographic material, like subsistence and medical, can be classified more generally as common-use in its true sense. Even so, however, a deviation from the norm appears to be developing for this category as well. Preliminary estimates indicate that the photographic category may not be sufficiently broad in scope to justify the establishment of a full-scale Single Manager Agency. It would appear, therefore, that a significant

difference may develop in the photographic commodity area with respect to the very organizational structure of the Agency itself.

The inference to be drawn from the modifications which are developing in establishing the operational bases for the first commodity agencies is that it is seemingly a simple task to designate that "supply support will be accomplished by single manager assignment"; but, on the other hand, the tools and organizational arrangements to do so, and insure adequate support in time of both peace and war, must be carefully developed and considered. That, even though the Single Manager Assignment concept reflects a conscientious effort to improve supply management wherever possible, wide spread extension of the plan should not be undertaken until it is established without reservation that such extension will actually result in truly significant improvement in that supply management.

The Single Manager Service Assignments. - The fundamental goals sought by Single Manager service agencies differ in no way from the fundamental goals of commodity agencies. The significant difference exists only in that the Plan is employed for the management of common service activity in lieu of common-use products. For common service activities the basic pattern of Single Manager organization applies in all respects except:

1. For common service activities the military departments furnish their requirements to the Single Manager, through the Executive Director, in the manner which he prescribes. For the purpose of comparison it should be noted that the commodity area instructions pertaining to requirements state that responsibility for program requirements continue with the individual services, and

are furnished to the Single Manager with the pertinent assumptions on which the computations are based.

2. The operating agency providing the common service will be financed by a single working capital fund whenever income and expense are involved.[12] In this instance, too, there is a comparative situation - - working funds for service assignments versus stock funds for commodities.

A detailed description and discussion of the operation of a Single Manager Service Assignment is considered unnecessary. It is important, however, that the most important objectives and responsibilities of these agencies be annotated.

Single Manager Service Assignment for Traffic Management Within the U. S. - The purposes and objectives of this assignment are:

1. To provide the most effective and economical freight and passenger transportation service for the Armed Forces from commercial transportation companies operating within the U. S.
2. To eliminate duplication and overlapping of effort between and among military departments.
3. To assure under all conditions, efficiency and economy within the Department of Defense in the procurement, use, cost and control of commercial transportation services for the movement of freight and passengers within the U. S.
4. To develop plans to assure efficient use of commercial transportation resources in support of military missions.
5. To assure adequate practical training for military personnel in traffic management.

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[12]Department of Defense Directive 5160.12, op. cit., pp.4-5, Italics mine.

Traffic Management is defined as the direction, control, and supervision of all functions incident to the effective and economical procurement and use of freight and passenger transportation service from commercial for-hire transportation companies (including rail, highway, air, inland waterway, coastwise and intercoastal carriers). The basic functional areas of traffic management can normally be broken down into three major functional areas: the management functions, the cost functions and the service functions.[13]

Single Manager Service Assignment for Ocean Transportation. - The Military Sea Transportation Service is directed:

1. To provide the most effective and economical ocean transportation for the Armed Services.
2. To prevent duplication and overlapping of effort between and within the military departments.
3. To apply to the mission of providing ocean transportation service within the Department of Defense the basic pattern for all organizations performing a multiple support mission.

In addition to its basic objectives, important among the general functions pertinent to the Military Sea Transportation Service are the following:

(a) Control, operate and administer government-owned vessels assigned, and all other vessels acquired for the purpose of providing ocean transportation service for the movement of personnel, cargo, and mail.

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[13]Department of Defense Directive 5160.14, Single Manager Service Assignment for Traffic Management within the U. S., (Washington: 1 May 1956), pp.1 and 3

(b) Provide ocean transportation service, except that performed by units of the fleet, to all agencies of the Department of Defense.

(c) Procure vessels outside the MSTS fleet and passenger space in commercial vessels to meet the requirements of the Department of Defense and other agencies of the U. S. Government as authorized by the Secretary of Defense.

(d) Keep the Single Manager for Traffic Management informed as to the availability of MSTS operated coastwise and intercoastal lift capacity.

(e) Prepare recommendations for the design, specifications, and equipment of ocean-going, non-combatant type vessels.

(f) Provide lift capability in accordance with policies of the Joint Chiefs of Staff.

(g) Coordinate with the Military Departments in the booking of cargo, passengers, and mail.[14]

Single Manager Service Assignment for Airlift Service. - The Military Air Transport Service, already functioning under a joint servicing agreement, was designated as the Single Manager Operating Agency for Airlift Service, and the Joint Service Agency, MATS, was disestablished.

The purposes and objectives of this assignment, with respect to the military airlift mission, include the following:

1. To ensure that the approved D-Day and wartime airlift requirements of the Department of Defense are met.

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[14]Department of Defense Directive 5160.10, Single Manager Service Assignment for Ocean Transportation, (Washington: 28 May 1956), pp.1-7

2. In providing for one (1) above to have due regard for the commercial airlift available.

3. To integrate into a single military agency all transport aircraft engaged in scheduled service, or aircraft whose operations are susceptible of scheduling, and such other transport aircraft specified by the Department of Defense.

4. To provide the most effective and economical airlift service to support the Armed Forces consistent with the Basic Regulations for Military Supply Systems and Policies for Implementation of Single Manager Assignments.

5. To develop and guide the peacetime employment of airlift services in a manner that will enhance the wartime airlift capability, achieve greater flexibility and mobility of forces, and increase logistics effectiveness and economy.

Airlift Service is defined as the performance or procurement of air transportation and services incident thereto required for the movement of persons, cargo, mail, or other goods.

Military Airlift Capability is the airlift which the agency is capable of providing for the air movement of passengers and cargo through the use of controlled transport aircraft.[15]

Industrial Fund Accounting in the Single Manager Concept. - Both the MATS and MSTS organizations were directed to utilize Industrial Fund accounting procedures in their operations. A discussion of the theory of industrial funding is beyond the scope of this paper, but, nevertheless,

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[15]Department of Defense Directive 5160.2, Single Manager Assignment for Airlift Service, (Washington: 7 December 1956), pp.1-3

several of its important aspects must be recognized.

The principal purpose of an Industrial Fund operation is to provide a more effective means for controlling the costs of services furnished, and a more effective and flexible means for financing, budgeting, and accounting for the costs related to those services. Another objective is to create a "buyer-seller" relationship between the servicing activity (in this case the Single Manager) and those activies which utilize the services rendered. This relationship is intended to place using agencies in the position of critic of the cost and quality of the performing agency. in consideration of relative costs of similar performance by outside agencies. The Industrial Fund system is also intended to provide the managers with the financial authority and flexibility required to procure and use manpower, materials and other resources effectively.

As related to the Single Managers for Airlift Service and Ocean Transportation the result achieved from this technique is that it provides for the charging of services on the basis of actual cost of operations. Cost factors are predetermined and charges made on the basis of tariff rates proportionate to the service rendered. This enables ordering agencies to budget and account on an end-product basis the same as when utilizing commercial sources and encourages improvement in program planning and acheduling. It is designed to instill in ordering officials a greater sense of responsibility in placing (or limiting) orders, and in balancing the cost of services ordered against alternative or competing demands. For the Single Managers it is intended to furnish modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activity; to provide an incentive to improve cost control

and cost standards through the contractual relationship of the "buyer and seller"; and to require alert, forward-looking financial planning.

The similarity of objectives between the Industrial Fund System and the Single Manager Concept is clear.

Summary. - In November 1955 Secretary of Defense Wilson issued a directive which inaugurated the Single Manager Concept in five commodity areas and three service areas. The commodity areas are: subsistence, medical and dental material, clothing and textiles, petroleum products, and photographic material; common service areas include: military traffic management, airlift service and ocean transportation. Today, a functioning Single Manager Agency exists for all of these assignments except photographic material.

Simultaneously with the directives which established the first Single Manager Assignments, Mr. Wilson issued another directive which, in detail, outlined the policies and guidelines which will be pertinent to all Single Manager Assignments, now and in the future. (DOD Directive 5610.12)

Mr. Robert C. Lenphier, Jr., Deputy Assistant Secretary of Defense for Supply and Logistics, best summarized the Single Manager Concept when he said, "we do not represent this as a panacea to overcome all the problems of supply of all things, but, in the fields of common-use items and common services, it provides an easily understood and readily workable system through which efficiency and effectiveness of supply and service operations can be enhanced to the benefit of all military services".

CHAPTER V

OPPOSITION TO THE SINGLE MANAGER PLAN AND ALTERNATIVE TECHNIQUES FOR MATERIAL MANAGEMENT

Problems and Objections. - It must not be presumed that the implementation of Single Manager assignments has proceeded without its rocks and shoals or without objection from both the services and individuals.

Resistance to the concept has, for the most part, been generated by divergent philosophies about the place of logistic support in military tactics. Principal objection has been over the question of responsiveness to command. The argument is that if a field commander cannot exercise control over his logistics system, his ability to discharge his tactical responsibilities is impaired. The Air Force, for instance, has alleged that the accomplishment of its mission is endangered if it cannot control its aviation fuel requirements - - result, modification of the basic organization of the Single Manager for Petroleum Products Assignment. The Army and the Air Force made strong representations to retain control over reserve stocks of medical supplies. Similarly, the Air Force and the Navy opposed centralized traffic management on the ground that this function was an inseparable part of any logistics system. The Air Force also raised questions with respect to the MTM Agency's place in the traffic management functions relating to commercial air transportation within the United States.

A second area of disagreement developed over the assignment of specific categories of items within the basic commodity itself. The matter of lack of standardization of clothing has already been discussed. Other examples which developed were whether such items as nylon for barrier equipment or gun covers were textile items, or surgeon's masks were in

fact clothing items. Questions such as these do not present insurmountable problems, but the point to be recognized is whether or not similar problems will be compounded if the basic Single Manager concept is extended to other standard commodity areas less susceptible to identification as "common-use".

Problems developed over the size of the agencies. Differences of opinion have grown up between the services with respect to staffing, both military and civilian. Another type of situation is centered around a cogent argument by the Navy that it must assume control of subsistence items at tidewater to insure effective overseas support.

Other difficulties became apparent over the designation of specific storage depots of individual services as distribution depots for Single Manager commodities. The principal problem area, as yet unresolved, is the question which arises when one of the services decides, for some reason, to disestablish a supply depot which is also a Single Manager assigned distribution site. Consolidation of supplies into a limited number of storage facilities is also at variance with the strategic concept of dispersion. The theory of centralized storage and distribution must be weighed in the light of ability to provide effective supply support in the wake of an enemy nuclear attack.

Reservations over the results which can be achieved through the Single Manager support format have not been confined strictly to the military. Individual members of the Second Hoover Commission itself expressed dissenting opinions to many of the aspects of centralized control of supplies and services.[1]

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[1]Commission on Organization of the Executive Branch of the Government, op. cit., pp.97-122

Responsible executives from industry have also pointed out to officials within the Department of Defense that perhaps the trend toward centralization may be receiving overemphasis. They point out emphatically that industrial giants in the United States like General Motors, Du Pont, Westinghouse, etc. have achieved mobility through decentralization. These experts do not condemn the Single Manager concept, but urge an increasingly cautious approach before wide spread extension of the plan is undertaken. By the same token, there is evidence that the reservations expressed by industry executives are also recognized within the Department of Defense. A memorandum on the subject from Secretary Wilson to the Department Secretaries stated, "The feasibility of further extension of this management technique will be determined later after careful study of possible savings and the advantages and disadvantages of this type of operation, recognizing that the primary mission is to effectively support the military effort of the country".[2]

Before leaving the subject of objections to the Single Manager Plan it is important to note that without exception, upon the resolution of those disagreements which did develop, the three services have gone forward with a well coordinated effort to make the individual assignments successful. Each of the services has done excellent work toward improving its inventory control practices, toward bettering its procedures for warehousing and material handling, and toward standardization of methods and procedures.

Other Supply Management Techniques. - For the commodity areas already integrated into Single Manager Assignments it is a relatively easy

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[2]Secretary of Defense C. E. Wilson Memorandum for the Secretaries of the Army, Navy, and Air Force, Single Manager Assignments, 31 January 1956

task to establish material requirements. With subsistence, clothing, and medical supplies, personnel strengths are the clue. Fuel requirement computations are also relatively simple. However, when general stores, lumber and automotive equipment categories (also recommended for integration by the Hoover Commission) are considered, the problems become more complex. For material of this nature, requirements are tied in with a great variety of programs. Some are related to specific equipments, but most have multiple use. There is reasonable doubt that an effective Single Manager operation will be as successful for these categories as can be done separately by the services, assuming the availability of proper intelligence to handle the problems of long supply of common items and to insure interservice support of activities within particular distribution areas. Two supply management techniques are available to supplement Single Manager assignments for material not categorized in such programs. These are the Inventory Management Improvement Program and the Interservice Supply Support Program.

The Inventory Management Improvement Program. - This program undertakes to focus attention on the material management problem from the point of view of adjustments and improvements in the forecasting of requirements, determination of allowances, the distribution of stocks, and management policy and control techniques. Common to all these areas is the need for a review of data collection, transmission, and utilization. This facet of supply management has not been formalized into a definitive project by directive. It need not necessarily be carried out on an interservice basis. It offers, rather, to the individual services, functioning independently of each other, a means for meeting their support requirements in a flexible, but orderly, manner in consonance with efficient and economical operation.

Improvement in the capability to forecast requirements accurately is the most important element in successful material management. Development of usage data collection systems, comprehensive population-data programs, and improvement in statistical techniques are some of the methods by which this can be achieved.

Greater recognition must be given to the fact that consumer stock levels, including scientifically prepared allowance lists for better control of afloat endurance, must be considered as a phase of the distribution process, and, consequently, related to stock levels at distribution activities. The uneconomical pyramiding of low-demand insurance items at all distribution levels should be scrutinized. Demand characteristics, military essentiality cost data, rapid transportation media should all be considered in this program.

"Military necessity" is no longer an overriding consideration to all cost factors. Cost to purchase, cost to distribute, holding cost, cost of movement, all must be weighed in logistic decision making.

Automatic data processing and fast data transmission may be the solution to the problems of inventory control in systems made overwhelmingly complicated by the presence of millions of items, involving tens of millions of transactions yearly. Electronic data processing offers probably the only hope for obtaining current and valid inventory positions.

The foregoing are but a few of the areas upon which Inventory Management Improvement Programs can be concentrated. Significant achievement can go far to eliminate much of the criticism that has been directed at the military supply systems without further necessity of subjecting these systems to radical modifications.

The Interservice Supply Support Program. - This program was launched formally about the same time that the Single Manager Plan was put into effect. Its foundation was a memorandum promulgated to the three departments on the basis of a Joint Chiefs of Staff Agreement, dated 30 December 1955, which established the Joint Interservice Supply Support Agreement. This agreement placed in effect an overall plan for interservice supply support for all commodities not covered by Single Manager assignments. There are three elements in the program:

1. The Interservice Supply Support Committee.
2. Commodity Coordination Groups.
3. Regional Coordination Groups.

The Committee is composed of the Supply Chiefs of the three Services and the Quartermaster General of the Marine Corps. Its function is to coordinate and unify actions in the area of supply logistics in the same manner as the Joint Chiefs of Staff coordinate and unify the strategic and tactical efforts of the individual services. The Committee likewise appoints Commodity Coordination Groups from among the Inventory Managers of the services to work on specific Federal groups and classes of material with a view toward insuring maximum utilization of assets, facilities, and common services. Finally, the Committee insures service execution of developed plans by policing end results.

Nine Commodity Coordination Groups have been assigned. These groups review items which are suitable for interservice supply and, through the supply demand control points, maintain an inventory cognizance as to quantity, item, and location, for mutual interservice assistance. The mission of these groups is very specific. They are charged to:

1. Keep in constant touch with each other.
2. Identify items which are truly common to two or more services.
3. Exchange data on these items.
4. Use each others releasable assets.
5. Inquire of other owners before initiating procurement actions.

Chart VI is illustrative of the manner in which interservice supply support works in action.

It is the function of the Regional Coordination Groups to study regional support patterns and make recommendations for establishing support channels on a basis of sound logistic and management principles rather than in accordance with service membership.

Forms Improvement. - Another significant development in the improvement of supply management should be noted. Joint agreement between the services in relation to supply forms resulted in a directive which became effective on 1 July 1957 wherein fourteen approved standard forms eliminated fifty-two forms used by headquarters echelons plus several hundred other forms used at lower echelons. Standardization of forms will contribute greatly to the intelligence between departments and between lesser elements throughout the supply systems.

Summary. - Considerations such as those examined in this chapter provide definite indication that a realistic recognition exists within the military services of the dynamic nature of logistics in modern military operation. They point up the realization of the necessity for accomplishing objectives which will assure positive coordination of the Armed Forces supply systems. There is practical evidence that action to accomplish this result is demanded by the Services themselves as well as by the Congress.

[redacted]

TYPICAL INTER-SERVICE SUPPLY SUPPORT ACTION

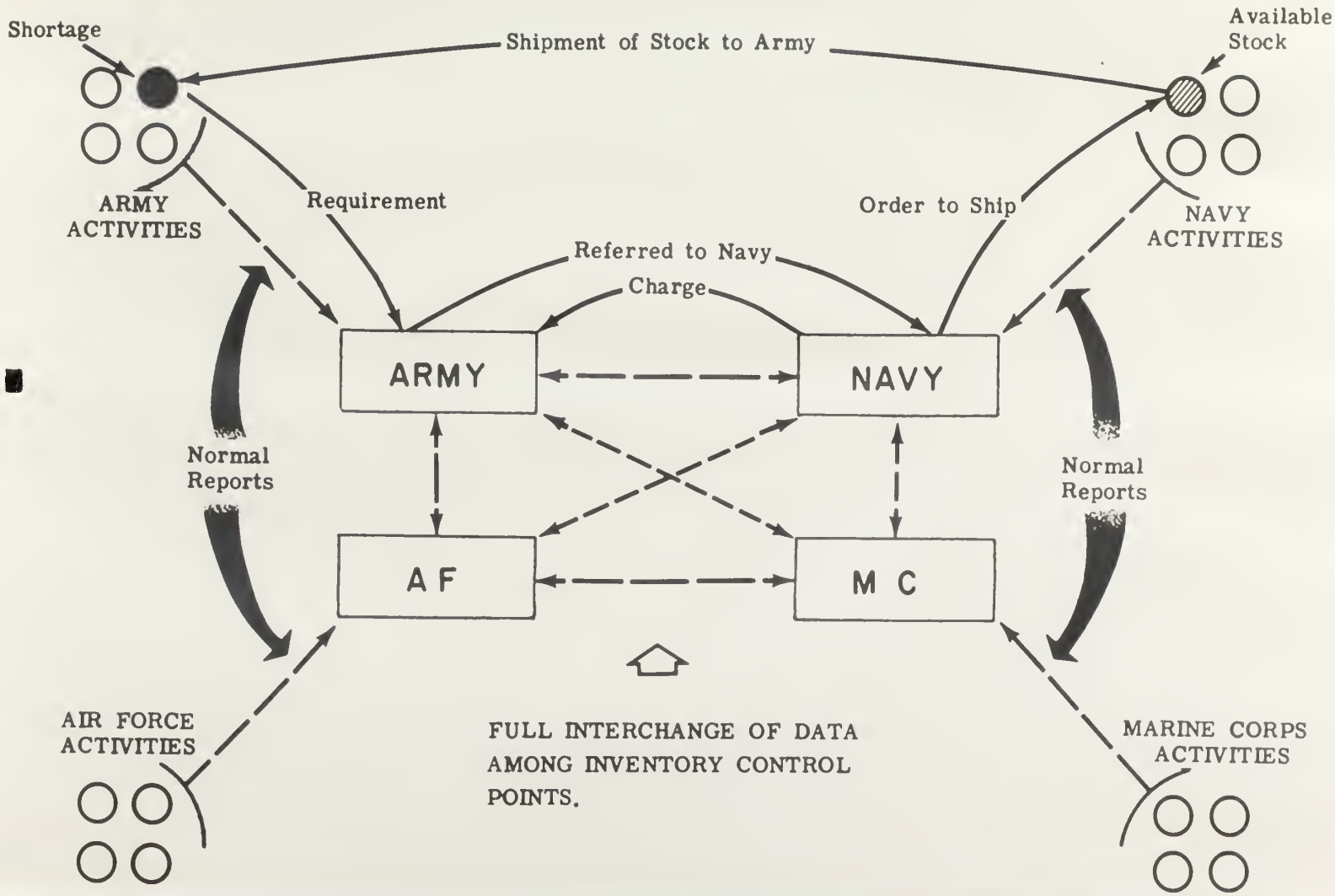

CHART VI

They further indicate that the Services are alert to the necessity for coordination of supply effort in those commodity areas which, because of their technical nature, or for other reasons, are not planned for inclusion under the Single Manager Plan.

CHAPTER VI

CONCLUSION AND A LOOK TO THE FUTURE

Evaluation. - Change is inherent in the order of things. Insofar as the forces which it is designed to support change, material management must change. The changes necessary to achieve support requirements must be anticipated. In this sense, material management will always present a "problem" - how to change to meet the climate of the times and the actual or anticipated requirements of forces requiring support.

Prior to the National Security Act of 1947 the Department of Defense was non-existent and the Secretaries of War and Navy reported directly to the President. Within these departments there were twenty-six supply systems, seven in the Army plus an Air Technical Service Command; the Navy had eighteen different supply systems including the Quartermaster General of the Marine Corps.

The National Security Act of 1947 brought the Air Force into being, and with it the Air Material Command, its supply system. Seven systems still remained in the Army, but the Navy had reorganized its systems into four, including the Quartermaster General, Marine Corps.

With the implementation of Reorganization Plan No. 6 in 1953, the supply systems had retained their status quo in the Army and the Air Force, but the Navy, through its "Integrated" Supply System, had reduced to a total of three, which still included the Quartermaster General, Marine Corps.

The situation which confronted the Second Hoover Commission was, therefore, three military departments, separately administered, each with

its own concept of supply systems, each handling all items used by its department, whether common-use or technical in nature. As already noted, the Hoover Commission placed severe criticism on the duplication and overlapping between the departments in the field of common-use items, and made strong recommendations for putting the supply systems on a more centralized foundation. Other criticisms leveled at the systems were:

1. They were alleged to be contrary to law (O'Mahoney Amendment).
2. Departments jealously guard their separate autonomies.
3. They continue to expand their supply systems in common item fields.
4. In determining net requirements, the separate departments do not make use of each others assets.[1]

Accordingly, the Single Manager Plan, founded on Department of Defense Directive 4000.8, was established.

The intricate details surrounding the Single Manager Concept have been presented in the foregoing chapters. One of the final questions is, "Does the Single Manager System meet the criticisms of the Hoover Commission Report?" With respect to making all purchases through a central agency, it does. In computing requirements, controlling storage, accomplishing inspection, establishing training, and maintaining progress in standardization of items of supply, it does. Another question is, does it meet the criticisims of the Congress, based upon multiple systems for the same items, unnecessary duplication and overlapping, costly cross hauling, duplication of pipelines, and duplication of storage facilities, particularly in adjacent areas? It does.

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[1]Assistant Secretary of Defense for Supply and Logistics, op. cit., p.34

In the last analysis, then, the Single Manager System has achieved its basic objectives, but it must not be presumed that the Plan is without disadvantages.

While there is no doubt that this technique promotes a favorable climate for improvement in the area of requirements determination, the present concept falls short of providing a uniform method for developing uniform requirements determination. Similarly, as presently established, uniform distribution procedures cannot be attained. Great progress has been made in the centralization of these procedures vertically, but the horizontal centralization processes have been almost entirely neglected.

The establishment of wholesale and retail levels of supply has resulted in two management areas where one formerly existed. Accordingly, some of the overlapping and duplication which was the subject of the severest criticism may have merely been transposed.

Criticism has been leveled at this type of operation from the standpoint of morale. It has been argued that assignment to duty with another service is detrimental to an officer's career. This criticism may be specious, although it has probably some element of valid foundation.

Finally, the fact that Single Manager activity is limited to the continental United States can be criticized from the point of view that large inventories overseas are thus excluded from all consideration. In many cases, such items might be of vital importance.

Significant Accomplishments. - The Single Manager Plan has been in operation for too short a time to equate its performance to dollar savings. Nevertheless, some of the specific improvements which have been accomplished indicate that the overall concept is a step forward in attaining

efficiency and effectiveness in material management. Every agency has made important progress.

The Military Medical Supply Agency has effected a substantial reduction in military personnel billets, civilian personnel positions, and has decreased requirements for office equipment and supplies as a result of the consolidation of the functions formerly performed by the three services individually.

Medical material formerly stored at nineteen Army, Navy, and Air Force depots has been consolidated into fourteen wholesale stock points. This consolidation has significantly decreased the system's pipeline requirements. Emphasis on distribution by geographic area has eliminated cross hauling of medical material and reduced the longer hauls necessary prior to the Single Manager assignment.

Capitalization of the inventories of the three services has permitted the application of additional assets to the services' specific mobilization reserve requirements and has provided a better evaluation of the overall readiness position for medical material. The pooling of these assets has also minimized the placing of items in a "not in stock" position and has facilitated the rotation of stocks.

The MMSA Substitution List has provided for optimum utilization of substitute items.

Combined stock status reporting and computing of requirements has resulted in fewer procurements, simplified procurement operations and has eliminated the need for cross-servicing arrangements.[2]

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[2]Military Medical Supply Agency, System Memoranda, (Brooklyn: February 1958), pp.2-4

The Single Manager for Subsistence by utilization of the Cheatham Annex of the Naval Supply Center, Norfolk, Virginia has been able to accumulate inventory levels of perishable subsistence to the point that the use of commercial warehouses in the New York area can shortly be drastically reduced.

Periodic consolidated listings of issue and demand data on non-perishable subsistence will facilitate the development of requirements forecasts.

The agency has conducted regional meetings with representatives of the meat industry in the United States with a view toward the improvement of specification and inspection requirements and quality assurance provisions.

In conjunction with the Military Traffic Management Agency revised procedures have been developed with motor carriers which should reduce administrative and evaluation workload at MSSA activities, and provide the opportunity to realize lower freight rates.[3]

Significant progress has been made in full carload procurement and transportation in lieu of many more expensive procurement actions for LCL shipments.

As with the MMSA personnel savings occured almost instantaneously.

The Military Clothing and Textile Agency has been operational for a much shorter period of the time than some of the other agencies. There are indications, however, that early improvements will accrue in the area

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[3]"Report on Single Manager Subsistence Assignment," Report Control Symbol DD - S and L (TW) 5758, Period Ending 31 December 1957.

of inventory reductions, and in the utilization of clothing and textile items found to be in a position of long supply.

A possible reduction in Navy enlisted men and women's clothing items as of 1 July 1958 has been attributed to the improved procurement methods resulting from the Single Manager System.[4]

In the development of its field structure the Military Traffic Management Agency consolidated and phased out of existence sixteen departmental field traffic offices and replaced them with five regional and three branch offices.[5]

The Military Sea Transportation Service has been singularly successful in its operation almost since its inception in 1949. Although not formally established as a Single Manager Assignment until May 1956, it has functioned during its entire period of existence in complete consonance with the Single Manager theory. Operating under the Industrial Program, it has achieved efficiency in operations, management flexibility, and substantial dollar savings through effective cost control.

In the light of the proved success of the MSTS operation, it can reasonably be assumed that the administrative savings already realized in the short life span of the other Single Manager agencies will ultimately reflect equivalent dollar savings when sufficient historical data is accumulated to evaluate these accomplishments objectively.

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[4]"Navy Garb Cost May Dip in Fiscal '59," Navy Times, March 22, 1958.

[5]Department of the Army, Office of the Chief of Transportation, MTMA's First Year: FY 1957 (Washington: July 1957), p.3

The Future. - The twelve year period following the conclusion of World War II has witnessed technological advances which have revolutionized the basic concepts of warfare. This same technological progress has introduced elements of strategy, tactics, and logistics almost undreamed of in the past. Responsiveness of the supply support systems has become increasingly more complex with developments such as; the current emphasis on mobility and instantaneous retaliatory capability, the high cost of equipments and materials, and the wide dispersal of ships and aircraft. One of the means for satisfying these new logistic requirements is through the Single Manager Plan. Its extension is proposed for other areas: warehousing, procurement, research and development, tidewater terminal operations, general stores (hand tools, hardware, etc.), automotive supplies and parts, lumber, furniture, office machines, resale merchandise, paper and paper products are some that have been considered susceptible. It is believed that the Single Manager system offers maximum flexibility, but the dangers of over-centralization must not be disregarded. Likewise, care must be exercised that the extension of the system to other areas does not result in another whole series of separate supply systems fraught with all the deficiencies which the plan was designed to correct. Defense against atomic attack is a consideration that should never be overlooked. Perhaps decentralization of military supply operations, rather than increased consolidation, may prove to be the wisest course in the long run.

The Single Manager Plan can be compared to one of the trees in the forest. If it is a healthy tree, it will live and flourish; if it is not healthy, it will wither and die, and other trees will come up to

take its place. The Plan is not a finished product; further refining is indicated. In concept, however, it is sound, and it is considered that it will prove a valuable device for integrating the logistic operations of all the military departments at considerable savings to the taxpayers.

APPENDIX A

5 September 1952
NUMBER 4000.8

DEPARTMENT OF DEFENSE DIRECTIVE

Subject MILITARY SUPPLY SYSTEM REGULATIONS

I. PURPOSE

The purpose of this directive is to establish basic regulations designed to achieve an efficient and practical operation of an integrated supply system (including procurement, production, warehousing, and distribution of supplies and equipment, and related supply functions) to meet the needs of the military departments, without duplicating or overlapping of either operations or functions, in accordance with the provisions of Section 638 of the Department of Defense Appropriations Act, 1953.

II. SCOPE AND APPLICABILITY OF THE REGULATIONS

On and after 8 September 1952, no officer or agency in or under the Department of Defense shall obligate any funds for procurement, production, warehousing, distribution of supplies or equipment or related supply management functions, except in accordance with these regulations and further directives issued by the Secretary of Defense or an officer of his office under the title of "Military Supply System Regulations." (See Section IV of this directive for method of effecting changes in existing regulations, procedures and instructions and for interim effectiveness of existing regulations, directives, procedures, and instructions until changed.)

III. GENERAL PRINCIPLES GOVERNING MILITARY SUPPLY SYSTEM REGULATIONS

In order to accomplish the purpose set forth in Section I above, the following principles are hereby established from which deviations may be permitted only by the officers of the Office of the Secretary of Defense charged with implementation of these regulations.

A. PROCUREMENT

1. Procurement will be in accordance with procedures which include timely submission of consolidated requirements, the phasing of requirements, market analysis, phased placement of orders, and phased delivery schedules.

2. Procurement procedures shall continue to be improved by such considerations as : efforts to reduce contract preparation time; maximum use of definitive contracts; simplification and standardization of contract forms and accounting procedures within and between military departments; improving the process of negotiations; and proper use of formal advertising and negotiation in the placement of contracts.

3. Purchasing shall be done on the basis of close, accurate and definite pricing to the greatest extent possible at the time of negotiation of contracts, in order to reduce the necessity for price redetermination and refunds under renegotiation. Price redetermination provisions shall generally provide for downward adjustments only. When upward price redetermination provisions are used, a reasonable ceiling shall be included therein and the obligation set up shall reflect the ceiling price.

4. Price redetermination shall be conducted within the time period specified in contracts, and contracts shall be promptly modified to reflect resulting revisions, in order to facilitate close pricing, to provide firm price information, and to avoid possible conflict with statutory renegotiation proceedings.

5. Single procurement in the form of single department, joint agency or plant cognizance shall be effected whenever it will result in net advantages to the Department of Defense as a whole, except in so far as it can be demonstrated that such procurement will adversely affect military operations. This principle will also apply to procurement from all government-owned plants, whether operated by the government or a contractor.

6. In order to eliminate unnecessary handling, warehousing and transportation, direct deliveries from suppliers to points-of-use shall be made to the maximum extent possible, except in those specific cases where it can be demonstrated that there would be no net advantage to the Department of Defense as a whole.

B. Commercial and Industrial-Type Facilities

1. Commercial and industrial-type facilities (including, among others, warehouses, motor repair shops, bakeries, and laundries) operated by each of the military departments shall be made available to the maximum extent for the use of any of the military departments. Existing commercial and industrial-type facilities shall be surveyed to determine the need for their continued operation and retention. Such facilities will not be continued in operation where the required needs can be effectively and economically served by existing facilities of any department or where private commercial facilities are available, except to the extent that such private commercial facilities are not reasonably available or their use will be demonstrably more expensive or except where the operation of such facilities is essential for training purposes. No facilities, not in operation, shall be retained unless necessary for mobilization reserve. Cost accounting methods will be employed to assist in formulation of decisions concerning cross-servicing, establishment or continuance of such activities in or under the Department of Defense.

2. Additional facilities of these types shall not be established or acquired by a military department unless the required needs cannot be effectively served by existing facilities of all of the departments or by private commercial facilities. Except in a zone of action (e.g., Korea), no such additional facilities shall be established or acquired without prior approval of the Secretary of Defense.

C. Distribution

1. Within each military service (Army, Navy, Marine Corps and Air Force) there shall be established and maintained but one single supply

and inventory control point for each specified category of items. The translation of established stock levels into quantitative terms and the determination of requirements will be achieved by the appropriate supply control point based upon information available to the control point, including accurate, timely and complete reports from its supported activities.

2. As a minimum, all supply accounting at depot, post, camp, station, base and installation levels will be developed to achieve integration and uniformity on a quantitative and monetary basis, except for supplies and property with troop units and afloat, where periodic quantitative inventories only will be required. (In-transit stocks, government-owned stocks in hands of contractors or government industrial facilities, and stocks aboard supply ships and tenders will be considered as part of aggregate depot, post, camp, station, base and installation stocks.

3. Stock levels shall be established and maintained at the lowest practicable level. Such prescribed stock levels shall be uniform between military departments where similar conditions exist. Effective controls will be established in all areas and at all levels to insure compliance with approved stock levels.

4. Within unified commands, unified logistic arrangements for overseas theatres will be further developed.

5. Each category of common-use standard-stock items will be procured, warehoused, and distributed by not more than one agency within each military service (Army, Navy, Marine Corps and Air Force). (The term "common-use standard-stock items" as used in these regulations includes items similar in character used by two or more departments or subdivisions thereof for the same or closely related purpose. Examples of such items or categories of items are: subsistence, medical and dental supplies, lumber, hardware, fuels and lubricants, household and office type furniture and material, general housekeeping material, individual clothing and equipment, and vehicular spare parts).

6. Stocks of common-use standard-stock items will be financed through Stock (revolving) Funds. Special attention shall immediately be given to all categories of common-use standard-stock items including those listed in 5 above.

7. Integrated supply support for common-use standard-stock items will be developed. In areas within the United States and overseas, supply support will be accomplished by single service assignment in which one department will support all others, or by cross-servicing in such areas in which supply support will be obtained by one department from the nearest or most economical source without regard to which department controls such source, unless it can be demonstrated that such support will adversely affect military operations or will not result in net advantages to the Department of Defense as a whole.

D. Cataloging and Standardization

1. The cataloging and standardization programs will be vigorously expedited in accordance with the provisions of Public Law 436, 82nd Congress.

2. All supply items in the three military departments shall be described, identified, classified, and numbered, in accordance with a uniform method for all categories of material.

3. The uniform catalog data for each specified category of material shall be utilized in all supply operations from requirements calculation to final disposal, by replacing existing data in accordance with prescribed schedules.

4. The highest practicable degree of standardization of items shall be achieved through the development and use of single specifications, through the elimination of overlapping and duplicating item specifications, and through the reduction of the number of sizes, kinds, and types of generally similar items. Procedures shall be developed to require the use of applicable standard specifications by all procurement agencies.

5. Duplication in the inspection of material procured by the military departments will be

eliminated by the coordination of inspection organizations and by the standardization of inspection formats.

6. Packing, packaging, preservation and marking procedures in the three military departments will be made uniform, consistent with operational requirements, and wherever practicable will parallel those used in in dustry.

7. Commercial specifications and standards, when practical and economical, will be adopted and integrated in the military specifications and standard systems.

E. Conservation

1. The programs for renovation of economically reparable material will have as their objectives the maximum coordinated and timely utilization of such resources in lieu of new procurement.

2. Supply discipline to encourage effective maintenance and preservation of equipment in use will be emphasized. Issue of materials from storage for training and garrison purposes will be based upon maximum utilization of obsolescent and limited-life materials.

3. Programs will be established to eliminate or reduce uses of strategic and critical materials. Within categories of materials, consideration shall be given not only to relative availability under current conditions but also under mobilization conditions; in the establishment of specifications and standards, including the use of alternate specifications and standards, less critical material of greater cost may be specified within reasonable price limitations.

F. Utilization and Disposal

1. Programs will be established for the maximum utilization of property, including scrap, which will include continuous review of stocks to assure they are active, to determine which property is excess, to make maximum use of available storage space, and to minimize maintenance and storage costs.

2. Programs for utilization or disposal of government material and property will provide for continous screening to make available the excess property of any one department to meet the needs of others. In order that adequate information may be available to other departments before bulk procurement is undertaken, an adequate and practicable reporting system will be established which will include reports to and from the appropriate supply control points of the existence of such excesses.

3. Programs for handling scrap material will provide for the segregation and identification of strategic and critical materials.

G. Transportation and Traffic Management

1. The management, control, routing, negotiation, and procurement of transportation services for the movement of persons and things shall be accomplished in accordance with traffic management policies designed to achieve and assure efficient and economical traffic management.

2. Transportation activities of the military departments in both current and mobilization planning aspects will be coordinated with those of the civilian economy through the appropriate agencies within the Department of Defense and the civilian agencies.

H. Production

1. Production programs for the military departments shall be realistic, orderly, and scheduled to meet phased requirements. Such programs shall be developed on the basis of: the relative availabilities of facilities, materials, materiel, money and manpower; the relative availability of each item in relation to all other items which are essential to its employment; and the feasibility of programmed rates of acquisition. Once the approved active forces are raised and modernized and current operating stocks and mobilization reserves (not in excess of those provided in plans approved by the Secretary of Defense) are on hand, maximum feasible reliance will be placed on continuing expansible production rather than on the accumulation of reserve stocks of end items. Accordingly, the basic objective of the military

procurement program will be to supply to the services the material and equipment required for the timely accomplishment of their respective missions. In doing so, procurement and delivery of all items must be scheduled in a carefully planned and balanced manner to meet the actual service needs. At all times the present and future productive capacity of industry must be given full consideration and plans must, among other things, provide for the maintenance of production lines, and wherever possible, when computing requirements, take into account the rapid expansibility of these lines.

2. In computing mobilization requirements, and in planning for production during mobilization, consideration shall be given to the availability of men, materials, materiel, and facilities (all expressed both in quantities and dollars), and the relative availability of each item to other items essential to its utilization, and to the feasible rate of acquisition.

3. No funds shall be obligated for industrial mobilization activities except in full compliance with applicable legislation (currently Section 623, P.L. 434, 81st Congress, approved October 29, 1949).

4. Current production programs will be integrated to the maximum extent practicable with mobilization plans established under the "Production Allocation Program."

5. Relative urgencies between military programs and the system for determining them will be kept under continuous review.

6. Maximum utilization will be made of reserves of machine tools and production equipment before initiating procurement of such items. Machine tools should be procured to meet the requirements of current production and to establish tooled production lines with such mobilization capacity as may be approved by the Secretary of Defense. The highest priority is to be given to the requirements for current production needs, and the second priority is to the machine tool requirements for approved mobilization capacity.

7. Industry shall be encouraged to expand productive capacity through private financing.

8. Government expansion of facilities will be undertaken only after consideration of available capacity of privately-owned and government-owned or operated facilities and when indicated by screened mobilization needs.

I. Personnel and Training

1. Within each military department, a definitive program will be established for the recruitment and training of competent military and civilian personnel to serve in the areas of procurement, production, warehousing, and distribution of supplies and equipment, and related supply management functions. Rotation, promotion, and assignment policies within each military department will be adapted to assure the most effective use of trained personnel within these areas.

J. Requirements Review

1. In each military department, there shall be established and maintained, responsible directly to the Secretary of the military department concerned, an office or agency charged with making an adequate and thorough audit and review of requirements for materiel, materials and facilities, including responsibility for monitoring the development of the systems and methods for computing such requirements.

K. Supply System Expansion Prohibitied

1. Effective on and after September 8, 1952, until modified by a directive issued by the Secretary of Defense, and regardless of any prior interdepartmental agreements, and without the necessity of any implementing directive described in paragraph IV 1 below, no additional independent or expanded supply facilities for common-use standard-stock items of supply shall be created without prior approval by the Secretary of Defense.

IV. IMPLEMENTATION

1. Many of the foregoing principles are wholly or partially implemented by outstanding directives issued by the

Secretary of Defense or by an office or agency of the Office of the Secretary of Defense. Such directives shall become a part of the Military Supply System Regulations when certified as in conformance with these regulations by the Secretary of Defense or such officer of his office as he shall designate. Other principles will require implementation by new or amended directives. The Secretary of Defense will issue instructions to the appropriate officers of his office to proceed promptly with such implementation.

2. The regulations, procedures and instructions of the military departments will be progressively and promptly altered to reflect the changes made by each implementing directive provided for in paragraph 1 above as follows: The Secretaries of the military departments shall, as soon as may be after the issuance of each such directive, and in any event within the time specified such directive, cause regulations, procedures and instructions issued by them or their subordinates relevant to the portion of these regulations being implemented by such directive, to be revised to incorporate the substance of said portion of these regulations as implemented by such directive, and shall promptly submit to the Secretary of Defense for approval such revision to regulations, procedures and instructions (other than those relating to particular transactions) issued by the head of any bureau, technical service (including for the Air Force, the Air Materiel Command), or equivalent or higher authority. After making such changes, if any, in such revision as the Secretary of Defense or his designee may deem necessary to cause such revision to incorporate the substance of these regulations as aforesaid, the Secretary of Defense or his designee shall approve such revision and such revision shall become effective upon the effective date specified in such approval; and thereupon such revision shall become a part of the Military Supply System Regulations.

3. Except as may be otherwise provided in any implementing directive provided for in paragraph 1 above, all regulations, directives, procedures and instructions of the Office of the Secretary of Defense and of the military departments shall remain in full force and effect until changes therein become effective as provided above.

4. Each officer of the Secretary of Defense responsible for taking action by way of implementation of these regulations shall maintain a record of major action taken by him. A similar record will be maintained by each military department. Monthly progress reports regarding the implementation of this directive and directives provided for in paragraph 1 above will be made to the Secretary of Defense by each such officer of the Office of the Secretary of Defense and by the Secretary of each military department beginning 30 days from the date of this directive. The reporting period will be changed to quarterly at a future date by a further directive of the Secretary of Defense.

/s/

Secretary of Defense

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